



(Formerly Equitas Resources Corp.)

Consolidated Financial Statements

For the Year Ended February 28, 2017
(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Altamira Gold Corp. (formerly Equitas Resources Corp.),

We have audited the accompanying consolidated financial statements of Altamira Gold Corp. (formerly Equitas Resources Corp.), which comprise the consolidated statements of financial position as at February 28, 2017 and February 29, 2016 and the consolidated statements of operations and comprehensive loss, cash flows, and changes in equity 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 as issued by the International Accounting Standards Board, 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 whether the consolidated financial statements are free of 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 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 Altamira Gold Corp. (formerly Equitas Resources Corp.) as at February 28, 2017 and February 29, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has limited working capital and is also dependent upon its ability to secure new sources of financing to fund on-going operations. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

CHARTERED PROFESSIONAL ACCOUNTANTS



Vancouver, Canada
June 27, 2017

Altamira Gold Corp. (formerly Equitas Resources Corp.)

Consolidated Statements of Financial Position

As at February 28, 2017 and February 29, 2016

(Expressed in Canadian Dollars)

	2017	2016
Assets		
Current		
Cash (note 7)	\$ 2,179,038	\$ 397,330
Other receivables	17,338	275,898
Marketable securities (note 8)	59,621	-
Prepaid expenses (note 9)	55,115	298,134
Total current assets	2,311,112	971,362
Non-current assets		
Property plant and equipment (note 10)	74,968	-
Exploration and evaluation assets (note 11)	12,275,692	2,562,796
Reclamation deposit	15,000	15,000
Total Assets	\$ 14,676,772	\$ 3,549,158
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 475,264	\$ 243,173
Due to a related party	181,852	80,826
Total current liabilities	657,116	323,999
Long term liabilities (note 12)	116,358	-
	773,474	323,999
Equity		
Share capital (note 13)	30,474,335	19,117,908
Share subscriptions received (note 13)	836,350	102,500
Share-based payments reserve	2,566,884	2,131,240
Accumulated other comprehensive income	137,987	-
Deficit	(20,112,258)	(18,126,489)
	13,903,298	3,225,159
Total Liabilities and Equity	\$ 14,676,772	\$ 3,549,158

Nature of operations and going concern (note 1), Commitments (note 21), Subsequent events (note 22)

Approval on behalf of the Board of Directors:

Alan Carter

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Ioannis (Yannis) Tsitor

Director

Director

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

Altamira Gold Corp. (formerly Equitas Resources Corp.)

Consolidated Statements of Operations and Comprehensive Loss

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

(Expressed in Canadian Dollars)

	2017	2016
Expenses		
Advertising and promotion	\$ 294,000	\$ 422,621
Administration fees (note 15)	91,328	150,000
Amortization	18,540	-
Consulting fees and staff costs (note 15)	887,380	659,079
Investor relations	134,604	115,000
Office and general	81,140	22,038
Professional fees	289,884	123,500
Share-based payments (note 15)	-	552,617
Transfer agent and regulatory fees	108,715	54,376
Travel	80,839	108,331
Operating expenses	(1,986,430)	(2,207,562)
Other income (expense)		
Interest income	5,664	-
Interest expense	(25,338)	-
Foreign exchange gain (loss)	2,153	(970)
Other income	-	2,362
Impairment of exploration and evaluation assets (note 11)	-	(1,565,760)
Loss for the year before income tax	\$ (2,003,951)	\$ (3,771,930)
Income tax recovery (expense)	18,182	(876)
Loss for the year	(1,985,769)	(3,772,806)
Cumulative translation adjustment	137,987	-
Total comprehensive loss for the year	(1,847,782)	(3,772,806)
Basic and diluted loss per common share	\$ 0.10	\$ 0.70
Weighted average number of common shares outstanding	20,102,827	5,470,729

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

Altamira Gold Corp. (formerly Equitas Resources Corp.)

Consolidated Statements of Changes in Equity

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

(Expressed in Canadian Dollars)

	*Number of Shares	Share Capital	Subscription Receipts	Reserves	Accumulated OCI / (Loss)	Deficit	Total
Balance, March 1, 2015	3,502,978	\$ 15,038,165	\$ (25,600)	\$ 1,442,535	\$ -	\$(14,353,683)	\$ 2,101,417
Shares issued for cash	3,641,451	3,744,012	-	41,900	-	-	3,785,912
Warrants exercised	566,500	566,500	-	-	-	-	566,500
Options exercised	32,600	67,165	-	(34,665)	-	-	32,500
Agent's warrants exercised	6,400	9,749	-	(3,349)	-	-	6,400
Share subscriptions received	-	-	128,100	-	-	-	128,100
Share-based payments	-	-	-	552,617	-	-	552,617
Share issuance costs	-	(307,683)	-	132,202	-	-	(175,481)
Net loss for the year	-	-	-	-	-	(3,772,806)	(3,772,806)
Balance, February 29, 2016	7,749,929	\$ 19,117,908	\$ 102,500	\$ 2,131,240	\$ -	\$ (18,126,489)	\$ 3,225,159
Rounding adjustment for share consolidation	(24)	-	-	-	-	-	-
Shares issued for transaction	10,365,328	7,255,730	-	-	-	-	7,255,730
Options granted for transaction	-	-	-	322,029	-	-	322,029
Shares issued for property acquisition	266,666	186,667	-	-	-	-	186,667
Shares issued for private placements	14,268,853	4,219,504	(102,500)	-	-	-	4,117,004
Share subscriptions received	-	-	836,350	-	-	-	836,350
Share issuance costs	-	(305,474)	-	113,615	-	-	(191,859)
Cumulative translation adjustment	-	-	-	-	137,987	-	137,987
Net loss for the year	-	-	-	-	-	(1,985,769)	(1,985,769)
Balance, February 28, 2017	32,650,752	\$ 30,474,335	\$ 836,350	\$ 2,566,884	\$ 137,987	\$ (20,112,258)	\$ 13,903,298

*Restated to reflect effect of Share Consolidation in December 2016

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

Altamira Gold Corp. (formerly Equitas Resources Corp.)

Consolidated Statements of Cash Flows

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

(Expressed in Canadian Dollars)

	2017	2016
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES:		
Net loss for the year	\$ (1,985,769)	\$ (3,772,806)
Adjustments for items not affecting cash:		
Share-based compensation	-	552,617
Amortization	18,540	-
Impairment of exploration and evaluation assets	-	1,565,760
Unrealized currency translation adjustment	(51,818)	-
Changes in non-cash working capital:		
GST and other receivables	263,350	(253,901)
Prepaid expenses	243,019	(144,177)
Due to/from related parties	101,026	62,142
Accounts payable and accrued liabilities	106,966	70,214
Long term liability	35,767	-
	(1,268,919)	(1,920,151)
INVESTING ACTIVITIES:		
Exploration and evaluation asset acquisition and expenditures	(1,702,581)	(2,315,767)
Acquisition of property and equipment	(75,356)	-
Cash advanced to acquire Alta Floresta Gold Ltd. (note 6)	(416,511)	-
Cash acquired on acquisition of Alta Floresta Gold Ltd. (note 6)	296,913	-
	(1,897,535)	(2,315,767)
FINANCING ACTIVITIES:		
Shares issued for cash	4,295,174	4,391,312
Share issuance cost	(80,862)	(175,481)
Share subscriptions received	733,850	128,100
	4,948,162	4,343,931
INCREASE IN CASH	1,781,708	108,013
Cash, beginning of year	397,330	289,317
Cash, end of year	\$ 2,179,038	\$ 397,330

Supplemental cash flow disclosure and non-cash investing and financing activities (note 17)

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

Altamira Gold Corp. (formerly Equitas Resources Corp.)

Notes to the Consolidated Financial Statements

For the Years Ended February 28, 2017 and February 29, 2016

(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Altamira Gold Corp. (formerly Equitas Resources Corp.) (“Altamira” or the “Company”) is a publicly listed company incorporated in British Columbia on September 1, 1994, with limited liability under the legislation of the Province of British Columbia and its shares are listed on the TSX Venture Exchange (“TSX-V”). The Company is principally engaged in the acquisition, exploration, development and mining of mineral properties.

The head office, principal address, and registered and records office of the Company are located at 1500 – 409 Granville Street, Vancouver, BC, Canada, V6C 1T2.

Going concern

These financial statements were prepared on a going concern basis. As of February 28, 2017, the Company had working capital of \$1,653,996 (2016 - \$73,331). The Company’s ability to continue as a going concern is dependent upon the ability of the Company to obtain financing and generate positive cash flows from its operations. Management of the Company believes it has raised sufficient funds to cover all of its operating requirements, financial commitments, and business development priorities during the next twelve months. However, the Company expects that it will need to obtain further financing in the form of debt, equity or a combination thereof in the future. There can be no assurance that additional funding will be available to the Company, or, if available, that this funding will be on acceptable terms. If adequate funds are not available, the Company may be required to delay or reduce the scope of any or all of its development projects. All of these material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

Approval of the financial statements

These financial statements for the year ended February 28, 2017, were reviewed by the Audit Committee and were approved and authorized for issue by the Board of Directors on June 27, 2017.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of presentation

These consolidated financial statements of the Company as at and for the year ended February 28, 2017, with comparative information as at and for the year ended February 29, 2016, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and with interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting.

Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Altamira Gold Corp. (formerly Equitas Resources Corp.)

Notes to the Consolidated Financial Statements

For the Years Ended February 28, 2017 and February 29, 2016

(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE - continued

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. Actual results may differ from these estimates. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries. A subsidiary is an entity in which the Company has control, directly or indirectly. Control is defined as the investor being exposed, or having rights, to variable returns from its involvement with the investee and having the ability to affect those returns through its power over the investee.

All material intercompany transactions and balances have been eliminated on consolidation.

Details of the Company's principal subsidiaries at February 28, 2017 are as follows:

Name	Place of incorporation	Ownership %	Principal activity
Alta Floresta Gold Ltd.	Canada	100%	Holding company
Alta Floresta Gold Mineracao Ltda.	Brasil	100%	Exploration Company

Functional and Presentation Currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of Equitas is the Canadian dollar. The functional currency of Alta Floresta Gold Ltd. is the U.S Dollar. The functional currency of Alta Floresta Gold Mineração S.A. is the Brazilian Real ("BRL").

The presentation currency of the group is the Canadian dollar. All financial information has been presented in Canadian dollars in these consolidated financial statements, except when otherwise indicated.

Segment Reporting

An operating segment is a component of an entity (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by the entity's management, and (iii) for which discrete financial information is available. The Company has one operating segment being the acquisition, exploration and development of mineral properties, and two geographical segments, Canada, and Brazil. The Company's head office is located in Vancouver, Canada.

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the Chief Executive Officer of the Company.

Altamira Gold Corp. (formerly Equitas Resources Corp.)

Notes to the Consolidated Financial Statements

For the Years Ended February 28, 2017 and February 29, 2016

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities are translated at the rate of exchange prevailing when the assets were acquired or the liabilities incurred. Revenue, expense items and capitalized exploration and evaluation expenditures are translated using the average rate of exchange during the financial statement periods, except for depreciation and amortization, which are translated at historic rates.

Foreign exchange gains and losses resulting from the translation of transactions and balances denominated in foreign currencies are included in the consolidated statement of operations and comprehensive loss.

The Company has determined that the functional currencies of its foreign exploration subsidiaries is the Brazilian Real and US dollar. Assets and liabilities are translated to the presentation currency at the year-end rates of exchange, and the results of their operations are translated at average rates of exchange for the year. The resulting translation adjustments are included in the consolidated statements of comprehensive loss.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and readily redeemable guaranteed investment certificates ("GICs") with financial institutions. The majority of the Company's cash and cash equivalents are held in banks in Canada and Brazil.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial Assets

Financial assets are classified into one of four categories:

- i) Fair value through profit or loss ("FVTPL");
- ii) Held-to-maturity ("HTM");
- iii) Available-for-sale ("AFS"); and
- iv) Loans and receivables.

All transactions related to financial instruments are recorded on a trade-date basis. The Company's accounting policy for each category is as follows:

i) FVTPL

Financial assets are classified as FVTPL when they are either held-for-trading for the purpose of short-term profit-taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Altamira Gold Corp. (formerly Equitas Resources Corp.)

Notes to the Consolidated Financial Statements

For the Years Ended February 28, 2017 and February 29, 2016

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

ii) HTM

HTM 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 investment 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 profit or loss.

iii) AFS

AFS financial assets are non-derivative financial assets that are not suitable to be classified as financial assets at FVTPL, loans and receivables, or HTM and are subsequently measured at fair value. These are included in non-current assets if it is management's intent to hold the instrument for a period in excess of twelve months. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses.

iv) Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transactions costs. Gains or losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each financial position reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flow of the investment have been impacted.

Objective evidence of impairment could include:

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

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. When an amount receivable is considered uncollectable, it is written off against the allowance account.

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

Altamira Gold Corp. (formerly Equitas Resources Corp.)

Notes to the Consolidated Financial Statements

For the Years Ended February 28, 2017 and February 29, 2016

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred. These liabilities are initially recognized at fair value, net of any transaction costs directly attributable to the issuance of the instrument, and subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period of repayment is at a constant rate on the balance of the liability carried in the statements of financial position. Interest expense, in this context, includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Accounts payable and accrued liabilities represent liabilities for goods and services provided to the Company prior to the end of the period that are unpaid.

De-recognition of Financial Assets and Liabilities

Financial assets are de-recognized when the contractual rights to receive cash flows from the assets expire or when the Company no longer retains substantially all of the risks and rewards of ownership and does not retain control over the financial asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in the consolidated statement of operations and comprehensive loss.

For financial liabilities, de-recognition occurs when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in the consolidated statement of operations and comprehensive loss.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Fair value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

Financial Instrument Designations

The Company has made the following designations of its financial instruments:

Cash and cash equivalents	Fair value through profit or loss
GST and other receivables	Loans and receivables
Marketable Securities	Fair value through profit or loss
Reclamation deposit	Fair value through profit or loss
Value added tax receivable	Loans and receivables
Due to related parties	Other financial liabilities

Altamira Gold Corp. (formerly Equitas Resources Corp.)

Notes to the Consolidated Financial Statements

For the Years Ended February 28, 2017 and February 29, 2016

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any provision for impairment. Cost includes the purchase price, any directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the present value of the estimated costs of decommissioning and restoration, if applicable. Costs relating to major upgrades are included in property, plant and equipment if it is probable that future economic benefits associated with the expenditure will flow to the Company.

Depreciation on property, plant and equipment is recognized on a straight line basis to write down the cost or valuation less estimated residual value of equipment. The rates generally applicable are:

- | | |
|---------------------------|-------------------|
| • Computer equipment | 25% straight line |
| • Furniture and equipment | 25% straight line |
| • Vehicles | 25% straight line |

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of equipment are determined as the difference between the disposal proceeds and the carrying amount of the equipment and are recognized in profit or loss within 'other income' or 'other expenses'.

Exploration and Evaluation Assets and Expenditures

Acquisition costs for exploration and evaluation assets, net of recoveries, are capitalized on a property-by-property basis. Acquisition costs may include cash consideration, the value of common shares issued based on fair values, and the fair value of share purchase warrants and options issued based on amounts determined using the Black-Scholes option pricing model, for mineral property interests pursuant to the terms of the agreement.

Exploration expenditures incurred prior to obtaining licenses, net of recoveries, are charged to operations as incurred. Once the legal right to explore has been acquired, exploration and development expenditures on the property are capitalized.

The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and amortized using the unit-of-production method.

Exploration and evaluation assets acquired under an option agreement where payments are made at the sole discretion of the Company are capitalized at the time of payment. Property interests granted to others under an option agreement where payments to be made to the Company are at the sole discretion of the optionee, are recorded as recoveries at the time of receipt. Where recoveries exceed costs, such amounts are recognized in profit or loss.

The Company is in the exploration stage and is in the process of determining whether its exploration and evaluation assets contain ore reserves that are economically recoverable. The recoverability of amounts recorded as exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, maintenance of the Company's legal interests in its mineral claims, obtaining further financing for exploration and development of its mineral claims and commencement of future profitable production, or receiving proceeds from the sale of all or an interest in its mineral properties. Management reviews the carrying value of exploration and evaluation assets on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for exploration and evaluation assets represent costs incurred, net of write-downs and recoveries, and are not intended to represent present or future values.

Altamira Gold Corp. (formerly Equitas Resources Corp.)

Notes to the Consolidated Financial Statements

For the Years Ended February 28, 2017 and February 29, 2016

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

Impairment of Non-Financial Assets

Impairment tests on non-financial assets, including exploration and evaluation assets are performed, whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to dispose, the asset is written down accordingly. This is determined on an asset-by-asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. If this is the case, individual assets are grouped together into a cash-generating unit ("CGU") and the impairment test is carried out on the asset's CGU, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss. An assessment is made at each reporting date as to whether there is any indication of impairment or a change in events or circumstances relating to a previously recognized impairment. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's or CGU's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset or CGU is increased to its newly determined recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset or CGU in prior years.

Provisions

Rehabilitation Provision

The Company recognizes constructive, statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reliable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset.

As at February 28, 2017 and February 29, 2016, the exploration and evaluation rehabilitation costs is not considered significant.

Other Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to passage of time is recognized as accretion expense.

Share Capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants and options are classified as equity instruments.

Altamira Gold Corp. (formerly Equitas Resources Corp.)

Notes to the Consolidated Financial Statements

For the Years Ended February 28, 2017 and February 29, 2016

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

Warrants issued by the Company typically accompany an issuance of shares in the Company (a “unit”), and entitle the warrant holder to exercise the warrants for a stated price for a stated number of common shares in the Company. The fair values of the components of the units sold are measured using the residual value approach. The carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

Flow-through Shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for tax purposes by the investors who purchased the shares. The Company has adopted a policy whereby the premium paid for flow through shares in excess of the market value of the shares without the flow through features at the time of issue is credited to other liabilities and included in income at the time the qualifying expenditures are made.

A deferred tax liability is recognized in respect of the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax basis. A portion of the deferred income tax assets that were not previously recognized are recognized as a recovery of deferred income taxes in the statements of comprehensive loss up to the amount of the deferred tax liability upon renunciation.

Share-based Payment Transactions

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to five years, which vest immediately and are priced at the previous day's closing price.

All share-based payments made to employees and non-employees are measured and recognized using the Black-Scholes option pricing model. For employees, the fair value of the options is measured at grant date. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete, the date the performance commitment is reached, or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. Share-based payments to non-employees are measured at the fair value of the 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. Stock options that vest over time are recognized using the graded vesting method. Share based compensation is recognized as an expense or, if applicable, capitalized to exploration and evaluation assets with a corresponding increase in reserves. At each financial reporting period, the amount recognized as expense is adjusted to reflect the number of share options expected to vest. If and when the stock options are ultimately exercised, the applicable amounts of reserves are transferred to share capital.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Altamira Gold Corp. (formerly Equitas Resources Corp.)

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3. SIGNIFICANT ACCOUNTING POLICIES - continued

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit or other current tax activities, which differs from profit or loss in the financial statements. Calculation of current tax expense is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it is not recognized in the financial statements.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of taxable income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Loss Per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive equity instruments are excluded from the loss per share calculation, as the effect would be anti-dilutive. Basic and diluted loss per share is the same for the years presented.

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.

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

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3. SIGNIFICANT ACCOUNTING POLICIES - continued

Investment Tax Credits

The Company is entitled to refundable Canadian provincial government investment tax credits on qualified mining exploration expenditures in the province of British Columbia. Investment tax credits are accrued when the Company has made the qualifying expenditures and when there is reasonable assurance that the credits will be realized. The assistance is accounted for using the accrual basis cost reduction approach whereby the amounts determined to be received or receivable each year are reasonably estimated and are applied to reduce the cost of the related assets, deferred expenditures or expenses.

4. CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Standards, Amendments and Interpretations Not Yet Effective

The following revised standards and amendments, unless otherwise stated, are effective on or after March 1, 2017, with early adoption permitted, and have not been applied in preparing these annual consolidated financial statements. The Company does not plan to adopt any of these standards early.

- i) IFRS 9, Financial Instruments (“IFRS 9”) replaces IAS 39, Financial Instruments – Recognition and Measurement (“IAS 39”) and some of the requirements of IFRS 7, Financial Instruments: Disclosures (“IFRS 7”). The objective of IFRS 9 is to establish principles for reporting of financial assets and financial liabilities in respect of the assessment of the amounts, timing and uncertainty of an entity’s future cash flows.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company is in the process of determining the impact of the adoption of this standard on the consolidated financial statements, if any.

- ii) IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) replaces IAS 11, Construction Contracts (“IAS 11”), IAS 18, Revenue (“IAS 18”) and some revenue- related interpretations. The objective of IFRS 15 is to provide a single comprehensive revenue recognition model that applies to contracts with customers using two approaches to recognizing revenue – at one point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of the revenue recognized.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Company expects no impact as a result of the new requirements as the Company’s properties will not be in commercial production prior to the effective date.

- iii) IFRS 16, Leases (“IFRS 16”) replaces IAS 17, Leases (“IAS 17”). The new model requires the recognition of almost all lease contracts on a lessee’s statement of financial position as a lease liability reflecting future lease payments and a ‘right-of- use asset’ with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

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4. CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS AND INTERPRETATIONS - continued

The Company is in the process of determining the impact of the adoption of this standard on the consolidated financial statements, if any.

There are no other IFRS or IFRS Interpretations Committee (“IFRIC”) interpretations that are not yet effective that would be expected to have a material impact on the Company.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss 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.

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

i) Going concern presentation of the financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

ii) The carrying value of the exploration and evaluation assets and the recoverability of the carrying value:

Assets or CGUs are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company’s exploration and evaluation assets.

In respect of costs incurred for its investment in exploration and evaluation assets, management has determined the acquisition costs that have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, economics assessment/ studies, accessible facilities and existing permits.

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

i) The estimated useful lives of property, plant and equipment and the related depreciation.

ii) The provision for income taxes and recognition of deferred income tax assets and liabilities.

iii) The inputs used in accounting for the fair value of share-based payment transactions.

6. ACQUISITION OF ALTA FLORESTA GOLD LTD.

On April 27, 2016, the Company completed the acquisition of Alta Floresta Gold Ltd. (“AFG”) by acquiring all of the issued and outstanding securities of AFG, a private BC company, which indirectly holds 100% of ten gold properties in the Mato Grosso and Para states of the Federative Republic of Brazil through its wholly owned subsidiary, Alta Floresta Gold Mineracao Ltda. (“AFM”).

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6. ACQUISITION OF ALTA FLORESTA GOLD LTD - continued.

In connection with the transaction, the Company issued 10,365,328 common shares to former shareholders of AFG and 528,232 stock options to former optionholders of AFG, exercisable for a period of three years at a price of \$01.50 per share. All securities issued in connection with the transaction are subject to a four month hold period.

The consolidated financial statements for the year ended February 28, 2017 reflect the assets, liabilities and results of operations of the Company, AFG (the legal subsidiary), and AFM (the subsidiary of AFG).

The Company has recorded the acquisition of AFG as a business acquisition as follows:

Purchase Price consideration:

	\$
Value of 10,365,328 shares issued at \$0.70 per share	7,255,730
Cash advanced to acquire AFG	416,511
Fair value of AFG options assumed by Altamira	322,029
Total	7,994,270
Assets acquired and liabilities assumed	
Cash	296,913
Amounts receivable	4,790
Property and equipment	11,750
Exploration and evaluation assets	8,037,459
Total Assets	8,350,912
Liabilities	
Accounts payable and accrued liabilities	(276,051)
Long term liability	(80,591)
Net Carrying Value	7,994,270

The Company applies the fair value method in accounting for its stock options using the Black-Scholes pricing model. The issuance of the options granted at the transaction date used the following assumptions:

	<u>April 27, 2016</u>
Risk free interest rate	0.73%
Expected life	3 years
Expected volatility	195%
Expected dividend yield	0%
Expected forfeiture	0%
Weighted average share price	\$0.60

7. CASH AND CASH EQUIVALENTS

As of February 28, 2017, and February 29, 2016 the Company's cash comprised of cash held in bank accounts and the Company does not have any cash equivalents.

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8. MARKETABLE SECURITIES

Marketable securities comprise of 600,000 shares of ECI Exploration and Mining Inc. (“ECI”), a private company and AFG’s former joint venture partner. As the market rate of private company investments cannot be verified the Company has recorded these securities at cost.

9. PREPAID EXPENSES

	February 28, 2017	February 28, 2016
Current		
Advertising and promotion	\$ 46,250	\$ 176,885
Insurance	8,812	5,700
Employee advances	-	329
Consulting fees paid in advance of service	-	115,167
Other	53	53
Total prepaid expenses	\$ 55,115	\$ 298,134

10. PROPERTY AND EQUIPMENT

	Machinery & equipment	Furniture	Vehicles	Software	Total
Cost					
February 29, 2016	\$ -	-	-	-	-
Additions	34,233	1,475	33,858	17,540	87,106
Foreign currency alignment	3,640	186	2,574	1,237	7,637
February 28, 2017	\$ 37,873	\$ 1,661	\$ 36,432	\$ 18,777	\$ 94,743
Accumulated Amortization					
February 29, 2016	\$ -	-	-	-	-
Additions	7,865	354	6,757	3,564	18,540
Foreign currency alignment	520	24	454	237	1,235
February 28, 2017	\$ 8,385	\$ 378	\$ 7,211	\$ 3,801	\$ 19,775
Net Book Value					
February 29, 2016	\$ -	\$ -	\$ -	\$ -	\$ -
February 28, 2017	\$ 29,488	\$ 1,283	\$ 29,221	\$ 14,976	\$ 74,968

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11. EXPLORATION AND EVALUATION ASSETS

The following schedule shows the Company's total property expenditures for the Years ended February 28, 2017 and February 29, 2016:

	Brazil	Canada	Total
Balance, February 28, 2015	\$ -	\$ 1,693,344	\$ 1,693,344
Additions during the year -			
Acquisition costs			
Cash and staking	-	58,580	58,580
Property exploration costs			
Assays	-	9,878	9,878
Camp expenses	-	391,464	391,464
Drilling	-	304,819	304,819
Fuel	-	175,679	175,679
Geological costs	-	560,303	560,303
Geophysics	-	269,918	269,918
Other	-	1,367	1,367
Supplies and rentals	-	47,058	47,058
Travel and accommodation	-	618,605	618,605
Total additions during the year	-	2,437,671	2,437,671
Mining tax credits	-	(2,459)	(2,459)
Impairment of mineral property	-	(1,565,760)	(1,565,760)
Balance, February 29, 2016	\$ -	\$ 2,562,796	\$ 2,562,796
Additions during the period -			
Acquisition costs			
Acquisition of AFG (note 6)	8,037,459	-	8,037,459
Shares issued for property	-	186,667	186,667
Claim maintenance	144,658	-	144,658
Property exploration costs			
Assays	57,838	-	57,838
Camp expenses	-	24,054	24,054
Drilling	323,225	72,060	395,285
Fuel	-	3,693	3,693
Geological costs	352,057	21,069	373,126
External studies	61,021	7,400	68,421
Supplies and rentals	163,542	964	164,506
Travel and accommodation	33,361	97,711	131,072
Total additions during the period	9,173,161	413,618	9,586,779
Proceeds received	(57,286)	-	(57,286)
Foreign currency alignment	183,403	-	183,403
Balance, February 28, 2017	\$ 9,299,278	\$ 2,976,414	\$ 12,275,692

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For the Years Ended February 28, 2017 and February 29, 2016

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11. EXPLORATION AND EVALUATION ASSETS - continued

The following schedule shows the Company's total expenditures in Brazil by property for the years ended February 28, 2017 and February 29, 2016:

	Cajueiro	Apiacas	Colider	Nova Canaa	Rio do Pombo	Other	Total
Balance, February 28, 2015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total additions during the year	-	-	-	-	-	-	-
Balance, February 29, 2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additions during the period -							
Acquisition costs							
Acquisition of AFG (note 6)	6,912,216	160,749	160,749	160,749	160,749	482,247	8,037,459
Claim maintenance	72,778	53,124	2,998	-	8,729	7,029	144,658
Property exploration costs							
Assays	57,838	-	-	-	-	-	57,838
Camp expenses	-	-	-	-	-	-	-
Drilling	323,225	-	-	-	-	-	323,225
Fuel	-	-	-	-	-	-	-
Geological costs	352,045	12	-	-	-	-	352,057
External studies	61,021	-	-	-	-	-	61,021
Supplies and rentals	159,381	3,647	284	-	-	230	163,542
Travel and accommodation	26,228	19	6,851	-	-	263	33,361
Total additions during the period	7,964,732	217,551	170,882	160,749	169,478	489,769	9,173,161
Proceeds received	(57,286)	-	-	-	-	-	(57,286)
Foreign currency alignment	161,923	6,086	2,951	2,270	2,856	7,317	183,403
Balance, February 28, 2017	\$ 8,069,369	\$ 223,637	\$ 173,833	\$ 163,019	\$ 172,334	\$ 497,086	\$ 9,299,278

Properties in Brazil:

AFM holds a 100% interest in all of its properties.

For the Cajueiro and Rio do Pombo properties, the previous property owners have retained a 1.0% net smelter royalty ("NSR").

For the Vila Rica property (included in 'Other'), the previous property owners have retained a 1.5% NSR.

For the Apiacas, Carlinda (part of the Cajueiro property), Colider, Paranaita, and Tapajos properties (the latter two included in 'Other'), the previous property owners have retained a 2.5% NSR which may be reduced to 1.5% at the Company's option for a payment of US\$ 4,000,000. In addition, the Company is committed to issue 600,000 common shares of ECI to the previous property owners upon realising a resource (defined in accordance with National Instrument 43-101) on any part of these properties, and a further 600,000 common shares of ECI upon receipt of the first bankable feasibility study on any part of these properties. As at February 28, 2017, the Company owned 600,000 common shares of ECI with a book value of \$59,621(\$45,000 USD).

In addition to the net smelter royalties ("NSR") referred to above, all properties are subject to a 1.75% NSR that is held by ECI Exploration and Mining Inc. ("ECI"), AFG's former joint venture partner.

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11. EXPLORATION AND EVALUATION ASSETS - continued

The following schedule shows the Company's total expenditures in Canada by property for the years ended February 28, 2017 and February 29, 2016:

	Garland Property	Tom Gold Mine Claims	Day Claims	Nahmint Property	Other Properties	Total
Balance, February 28, 2015	\$ 125,454	\$ 283,142	\$ 1,234,043	\$ -	\$ 50,705	\$ 1,693,344
Additions during the year -						
Acquisition costs						
Cash and staking	58,580	-	-	-	-	58,580
Property exploration costs						
Assays	9,878	-	-	-	-	9,878
Camp expenses	391,464	-	-	-	-	391,464
Drilling	304,819	-	-	-	-	304,819
Fuel	175,679	-	-	-	-	175,679
Geological costs	559,971	140	-	-	192	560,303
Geophysics	269,918	-	-	-	-	269,918
Other	1,367	-	-	-	-	1,367
Supplies and rentals	47,058	-	-	-	-	47,058
Travel and accommodation	618,605	-	-	-	-	618,605
Total additions during the year	2,437,339	140	-	-	192	2,437,671
Mining tax credits	-	-	(412)	(2,047)	-	(2,459)
Impairment of mineral property	-	(283,281)	(1,233,630)	2,047	(50,896)	(1,565,760)
Balance, February 29, 2016	\$ 2,562,793	\$ 1	\$ 1	\$ -	\$ 1	\$ 2,562,796
Additions during the period -						
Acquisition costs						
Shares issued	186,667	-	-	-	-	186,667
Property exploration costs						
Camp costs	24,054	-	-	-	-	24,054
Drilling	72,060	-	-	-	-	72,060
Field supplies and rentals	964	-	-	-	-	964
Fuel	3,693	-	-	-	-	3,693
Geological costs	21,069	-	-	-	-	21,069
Geophysics	7,400	-	-	-	-	7,400
Travel and accommodation	97,711	-	-	-	-	97,711
Total additions during the period	413,618	-	-	-	-	413,618
Balance, February 28, 2017	\$2,976,411	\$ 1	\$ 1	\$ -	\$ 1	\$ 2,976,414

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Notes to the Consolidated Financial Statements

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11. EXPLORATION AND EVALUATION ASSETS - continued

Properties in Canada:

Garland Property, Labrador, Newfoundland

On July 10, 2014, the Company entered into an agreement with Zimtu Capital Corp. (a company with common directors and significant shareholdings), DG Resource Management Ltd., and Ridge Resources Ltd. (owned by the Company's president), collectively the "Vendors", to acquire a 100% interest in the Garland Property, located in Labrador, Canada. The property encompasses 25,050 hectares and is 30 kilometres southeast of Vale's Voisey's Bay Nickel/Copper/Cobalt mine. In consideration, the Company will issue 799,999 shares over a 36 month period (266,666 shares issued upon exchange approval with a fair value of \$93,333 and 266,666 shares issued during the year ended February 28, 2017 with a fair value of \$186,667), pay \$80,000 (paid), and grant DG Resource Management Ltd. a 2% Gross Overriding Royalty ("GORR") in the Property. The transaction was accepted by the TSX-V on November 17, 2014. The terms of the final payment were renegotiated subsequent to year as described in note 22.

The Tom Gold Mine Claims, in Yellowknife, NWT, Day Property, and other claims in BC were written down to nominal amounts in the year ended February 29, 2016 due to minimal activity and increased focus on its other projects.

12. LONG TERM LIABILITIES

AFM has restructured its liabilities relating to claim maintenance costs for certain of its mineral properties. Pursuant to the terms of restructuring, AFM agreed to repay liabilities relating to claims maintenance costs and penalties totalling BRL\$546,839 over 10 to 60 months together with interest.

As at February 28, 2017, accounts payable and accrued liabilities and long term liabilities include \$54,919 and \$116,359, respectively, of restructured liabilities.

The long-term liabilities payable in each of the next four years are as follows:

	BRL	CAD
February 28, 2018	R\$ 122,391	\$ 52,152
February 28, 2019	82,311	35,073
February 29, 2020	51,164	21,801
February 28, 2021	17,210	7,333
	<u>R\$ 273,076</u>	<u>\$ 116,358</u>

13. SHARE CAPITAL

a) Authorized:

Unlimited common shares without nominal or par value.

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13. SHARE CAPITAL – continued

b) Issued:

During the year ended February 28, 2017:

On March 8, 2016, the Company closed the first tranche of a non-brokered private placement of 800,000 units (“Units”) at a price of \$0.50 per Unit for gross proceeds of \$400,000. Each Unit consists of one common share and one share purchase warrant (“Warrant”). Each Warrant entitles the holder to purchase one additional common share of the Company at a price of \$1.00 per share for a period of 24 months from closing.

On April 7, 2016, the Company closed the second and final tranche of a non-brokered private placement of 2,200,000 units (“Units”) at a price of \$0.50 per Unit for gross proceeds of \$1,100,000. Each Unit consists of one common share and one share purchase warrant (“Warrant”). Each Warrant entitles the holder to purchase one additional common share of the Company at a price of \$1.00 per share for a period of 24 months from closing. Finder’s fees of \$31,600 cash and 63,200 share purchase warrants priced at \$1.00 and exercisable for 24 months were paid and issued. The finders share purchase warrants were valued at \$30,173 under the following assumptions and ranges: risk free interest rate – 0.54%; expected life – 2 years; expected volatility – 197%; expected dividend yield – 0%; and weighted average share price - \$0.60.

On April 27, 2016, the Company completed the acquisition of AFG. In connection with the transaction, the Company issued 10,365,328 common shares to former shareholders of AFG. All securities issued in connection with the transaction are subject to a four month hold period. See also note 6.

On May 17, 2016, the Company issued 266,667 shares with a fair value of \$186,667 in connection with the Garland Property agreement.

On July 22, 2016, the Company closed a non-brokered private placement of 661,000 units (“Units”) at a price of \$1.00 per Unit for gross proceeds of \$661,000. Additionally, the Company also issued 181,818 flow-through units (“FT Units”) at a price of \$1.10 per FT Unit for gross proceeds of \$200,000. Each Unit consists of one common share and one share purchase warrant (a “Warrant”). Each FT Unit consists of one common share and one-half of a share purchase warrant. Each whole Warrant will entitle the holder to purchase one additional common share of the Company at a price of \$1.60 per share for a period of 24 months from closing.

On December 30, 2016, the TSX Venture Exchange approved a share consolidation of the outstanding share capital of the Company on the basis of ten (10) pre-consolidation common shares for one (1) new post-consolidation common share (the “Consolidation”). The Consolidation was effective at the open of the market on Tuesday, January 3, 2017. As a result of the Consolidation, the Company’s issued and outstanding were reduced to 22,224,717 and the number of the Company’s outstanding option and warrants were adjusted to reflect the effect of the rollback.

On February 22, 2017, the Company closed a non-brokered private placement of 9,809,379 units (“Units”) at a price of \$0.18 per Unit for gross proceeds of \$ 1,765,688. Each Unit consists of one common share and one non-transferable share purchase warrant exercisable at \$0.27 per warrant share for a period of twenty-four months from the issue date. The Company has issued 616,656 shares and 308,328 warrants priced at \$0.36 and exercisable for 24 months were issued as a finder’s fee in respect this tranche of the placement. In addition, finder’s fees amounting to \$29,400 were paid in cash. The finders share purchase warrants were valued at \$83,442 under the following assumptions and ranges: risk free interest rate – 0.78%; expected life – 2 years; expected volatility – 149%; expected dividend yield – 0%; and weighted average share price - \$0.36.

As at February 28, 2017, the Company had received subscription amounting to \$836,350 in respect of a second tranche of the private placement that closed on February 22, 2017. See also note 22.

No warrants or stock options were exercised in the year ended February 28, 2017.

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13. SHARE CAPITAL – continued

During the year ended February 29, 2016:

On July 15, 2015, the Company closed a non-brokered private placement of 613,492 units (“Units”) at a price of \$0.85 per Unit for gross proceeds of \$521,468. Each Unit consists of one common share and one share purchase warrant (“Warrant”). Each Warrant entitles the holder to purchase one additional common share of the Company at a price of \$1.50 per share for a period of 24 months from closing. Finders fees of \$6,599 and 2,070 share purchase warrants exercisable for 2 years at \$1.50, were paid and issued respectively. The share purchase warrants were valued at \$1,435 under the following assumptions and ranges: risk free interest rate – .39%; expected life – 2 years; expected volatility – 208%; expected dividend yield – 0%; and weighted average share price - \$0.70.

On September 14, 2015, the Company closed the first tranche of a private placement. The Company issued 735,660 flow-through units (“FT Units”), with each FT Unit consisting of one common share priced at \$1.00 and one half of one share purchase warrant, for gross proceeds of \$735,660. Each whole share purchase warrant entitles the holder to purchase one common share at a price of \$2.00, expiring 1 year after closing. The Company also issued 316,000 units (“Units”), priced at \$0.95 per Unit, for gross proceeds of \$300,200. Each Unit consists of one common share and one share purchase warrant, priced at \$2.00 and expiring 1 year after closing. Finders fees of \$34,961 and 35,085 share purchase warrants exercisable for 1 year at \$2.00, were paid and issued respectively. The share purchase warrants were valued at \$41,130 under the following assumptions and ranges: risk free interest rate – 0.47%; expected life – 1 year; expected volatility – 156%; expected dividend yield – 0%; and weighted average share price - \$1.20.

On September 18, 2015, the Company closed the second and final tranche of a private placement. The Company issued 967,660 flow-through units (“FT Units”), with each FT Unit consisting of one common share priced at \$1.00 and one half of one share purchase warrant, for gross proceeds of \$967,660. Each whole share purchase warrant entitles the holder to purchase one common share at a price of \$2.00, expiring 1 year after closing. Finders fees of \$80,613 and 80,613 share purchase warrants exercisable for 1 year at \$2.00, were paid and issued respectively. The share purchase warrants were valued at \$85,582 under the following assumptions and ranges: risk free interest rate – 0.47%; expected life – 1 year; expected volatility – 157%; expected dividend yield – 0%; and weighted average share price - \$1.10.

On October 5, 2015, the Company closed the first tranche of a private placement. The Company issued 841,139 units (“Units”), priced at \$1.25 per Unit, for gross proceeds of \$1,051,424. Each Unit consists of one common share and one share purchase warrant, priced at \$2.50 and expiring in 1 year. Finders fees of \$5,500 and 4,400 share purchase warrants exercisable for 1 year at \$2.50, were paid and issued respectively. The share purchase warrants were valued at \$4,055 under the following assumptions and ranges: risk free interest rate – 0.51%; expected life – 1 year; expected volatility – 150%; expected dividend yield – 0%; and weighted average share price - \$0.90.

On October 28, 2015, the Company closed the second and final tranche of a private placement. The Company issued 167,600 units (“Units”), priced at \$1.25 per Unit, for gross proceeds of \$209,500. Each Unit consists of one common share and one share purchase warrant, priced at \$2.50 and expiring in 1 year. The fair value of the shares at the date of issuance was \$1.00, therefore the fair value of the Warrant is deemed to be \$0.25 based on the residual method. As a result, the Company allocated \$41,900 to reserves from the issuance of Units. Finders fees of \$10,625 were paid.

During the year ended February 29, 2016, 566,500 share purchase warrants priced at \$1.00 were exercised for gross proceeds of \$566,500, 32,500 stock options priced at \$1.00 were exercised for gross proceeds of \$32,500, and 6,400 agent’s warrants were exercised for gross proceeds of \$6,400.

Altamira Gold Corp. (formerly Equitas Resources Corp.)

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For the Years Ended February 28, 2017 and February 29, 2016

(Expressed in Canadian Dollars)

13. SHARE CAPITAL – continued

c) Warrants:

Warrant transactions and the number of warrants outstanding for the years ended February 29, 2017 and February 28, 2016 are summarized as follows:

	2017		2016	
	Number of Warrants*	Weighted Average Exercise Price*	Number of Warrants*	Weighted Average Exercise Price*
Balance, beginning of year	3,502,093	\$ 1.90	1,162,933	\$ 1.00
Issued	13,932,816	.50	2,912,059	2.10
Expired	(2,886,530)	1.99	(572,900)	1.00
Balance, end of year	14,548,379	\$ 0.54	3,502,092	\$ 1.90

*Restated to reflect effect of 1 for 10 share consolidation on December 31, 2016

The following warrants were outstanding as at February 28, 2017:

Expiry Date	Exercise Price*	Number of warrants*	Remaining Contractual Life (Years)
July 15, 2017	\$ 1.50	615,563	0.38
March 18, 2018	\$ 1.00	800,000	1.02
April 6, 2018	\$ 1.00	2,263,200	1.10
July 29, 2018	\$ 1.60	751,909	1.41
February 22, 2019	\$ 0.27	10,117,707	1.99
Balance, end of year		14,548,379	1.70

*Restated to reflect effect of 1 for 10 share consolidation on December 31, 2016

14. SHARE-BASED COMPENSATION

The Company has a stock option plan in place under which it is authorized to grant options of up to 10% of its outstanding shares to officers, directors, employees and consultants. The exercise price of each option is to be determined by the Board of Directors but shall not be less than the discounted market price as defined by the TSX-V. The expiry date for each option should be for a maximum term of five years.

Options granted to directors, employees and consultants, other than consultants engaged in investors relations activities, will vest fully upon the expiry of the TSX-V hold period of four months from the award date, unless otherwise approved by the relevant regulatory authorities. Options granted to employees in investors relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three month period.

No stock option were granted during the year ended February 28, 2017 other than as described in note 6.

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14. SHARE-BASED COMPENSATION - continued

The following is a summary of option transactions under the Company's stock option plan for the years ended February 28, 2017 and February 29, 2016:

	2017		2016	
	Number of Options*	Weighted Average Exercise Price*	Number Options*	Weighted Average Exercise Price*
Balance, beginning of year	697,166	\$ 1.30	287,165	\$ 1.00
Granted	528,232	1.50	485,000	1.40
Exercised	-	-	(32,500)	1.00
Cancelled	(338,938)	1.65	-	-
Expired	-	-	(42,500)	1.00
Balance, end of year	886,460	1.41	697,165	\$ 1.30
Exercisable, end of year	886,460	\$ 1.41	697,165	\$ 1.30

*Restated to reflect effect of 1 for 10 share consolidation on December 31, 2016

The following stock options were outstanding as at February 28, 2017:

Expiry Date	Exercise Price*	Number of options*	Remaining Contractual Life (Years)
February 26, 2019	\$ 1.00	40,834	1.99
February 15, 2020	\$ 1.00	105,000	2.97
April 7, 2020	\$ 1.00	12,500	3.11
November 19, 2020	\$ 1.50	202,500	3.73
January 5, 2021	\$ 1.50	15,000	3.85
April 27, 2021	\$ 1.50	510,626	4.16
Total, end of year		886,460	3.80

*Restated to reflect effect of 1 for 10 share consolidation on December 31, 2016

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14. SHARE-BASED COMPENSATION - continued

The Company applies the fair value method in accounting for its stock options using the Black-Scholes pricing model. During the year ended February 28, 2017, the Company recorded \$Nil (2016 - \$552,617) in share-based payments expense using the following assumptions:

	2017	2016
Risk free interest rate	-	0.47% – 0.95%
Expected life	-	2 - 5 years
Expected volatility	-	173% - 222%
Expected dividend yield	-	0%
Expected forfeiture	-	0%
Weighted average share price	-	\$0.70 – \$1.20

15. RELATED PARTY TRANSACTIONS

	Year ended	
	February 28, 2017	February 29, 2016
Key Management Compensation:		
Consulting fees and salaries	\$ 441,561	\$ 189,656
Office administration and rent	87,500	150,000
Mineral property costs	13,300	69,600
Share-based payments	-	258,980
Advertising and promotion	138,548	91,730
Total	\$ 680,909	\$ 759,966
	February 28, 2017	February 29, 2016
Related Party Balances:		
Directors of the Company	\$ 135,918	\$ 74,939
Companies related by common directors	45,934	5,887
Total	\$ 181,852	\$ 80,826

Related party amounts are unsecured, non-interest bearing and due on demand. These transactions are measured by the exchange amount that is the amount agreed upon by the transacting parties and are on terms and conditions similar to non-related entities.

16. SEGMENTED DISCLOSURE

The Company has one operating segment, acquisition, exploration and development of mineral properties. The table below shows consolidated data by geographic segment:

	February 28, 2017	February 29, 2016
Non-current assets by geographic segment		
Canada	\$ 2,992,644	\$ 2,577,796
Brazil	9,373,016	-
	\$ 12,365,660	\$ 2,577,796

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17. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	February 28, 2017	February 29, 2016
Agent warrants granted	\$ 113,615	\$ 132,202
Agent shares issued	\$ 110,998	\$ -
Exploration and evaluation expenditures in accounts payable	\$ -	\$ 150,926
Shares issued for property	\$ 186,667	\$ -
Interest paid	\$ 25,338	\$ -

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – 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 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at February 28, 2017, the Company's financial instruments are comprised of cash, due to related parties, marketable securities, reclamation deposit, and accounts payable and accrued liabilities. The carrying value of cash, due to related parties, reclamation bonds, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments.

Financial instruments measured at fair value on the statement of financial position are summarized in levels of fair value hierarchy as follows:

At February 28, 2017

Assets	Level 1	Level 2	Level 3	Total
Cash	\$ 2,179,038	\$ -	\$ -	\$ 2,179,038
Marketable Securities	-	-	59,621	59,621
Reclamation deposit	15,000	-	-	15,000
Total	\$ 2,194,038	-	\$ 59,621	\$ 2,253,659

At February 29, 2016

Assets	Level 1	Level 2	Level 3	Total
Cash	\$397,330	\$ -	\$ -	\$397,330
Reclamation deposit	15,000	-	-	15,000
Total	\$ 412,330	\$ -	\$ -	\$ 412,330

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18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

Financial risk factors

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk. Management, the Board of Directors and the Audit Committee monitor risk management activities and review the adequacy of such activities.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Management believes that the credit risk concentration with respect to financial instruments included in cash is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at February 29, 2017, the Company had a cash balance of \$2,179,038 to settle current liabilities of \$657,116. All of the Company's financial liabilities are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, and commodity and equity prices. These fluctuations may be significant and the Company, as all other companies in its industry, has exposure to these risks.

a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to maintain cash in its banking institutions and does not believe interest rate risk to be significant.

b) Price risk

The Company is not a producing entity so is not directly exposed to fluctuations in commodity prices. The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors movements of individual equities, and of the stock market as a whole, to determine the appropriate courses of action to be taken by the Company.

c) Foreign currency risk

The Company has no assets or liabilities in foreign currencies. Its exposure to foreign exchange risk is minimal.

19. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital, and cash.

The Company is in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new sources of financing available and to manage its expenditures to reflect current financial resources in the interest of sustaining long term viability.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company's capital management objectives, policies and processes have not changed over the years presented. The Company is not subject to any externally imposed capital requirements.

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20. INCOME TAXES

The Company is subject to income taxes in Canada and Brazil. The reconciliation of the income tax provision computed at statutory rates is as follows:

	2017	2016
Net loss for the year	\$ (2,003,951)	\$ (3,771,000)
Expected income tax expense	(517,943)	(981,000)
Net adjustment for deductible and non-deductible amounts	(14,782)	-
Change in valuation allowance	532,725	442,000
Deferred income tax recovery	18,182	-
Deferred income tax recovery per financial statements	\$ 18,182	\$ -

There are no deferred tax assets/(liabilities) presented in the statement of financial position.

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets/(liabilities) have been recognized are attributable to the following:

	2017	2016
Non-capital and net capital losses carried forward	\$ 12,869,000	\$ 9,714,000
Mineral properties and deferred exploration costs	2,081,000	3,543,000
Share issue costs	182,000	217,000
	\$ 15,132,000	\$ 13,474,000

The Company has non-capital losses available for Canadian income tax purposes which may be carried forward to reduce taxable income in future years. If not utilized, the non-capital losses in the amount of \$3,147,000 expire as follows:

2026	\$ 474,000
2027	904,000
2028	473,000
2029	646,000
2030	358,000
2031	540,000
2032	712,000
2033	1,004,000
2034	953,000
2035	1,092,000
2036	1,700,000
2037	3,147,000
	<u>\$ 12,003,000</u>

The Company has unused allowable capital losses in the amount of \$1,731,000, which do not expire and may be deducted against future taxable capital gains on a discretionary basis.

The Company has unclaimed resource deductions in the amount of \$6,519,000 (2016 – \$6,105,000), which do not expire and may be deducted against future taxable income on a discretionary basis.

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20. INCOME TAXES - continued

Liability and income tax effect on flow-through shares

Funds raised through the issuance of flow-through shares are expected to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through shares gross proceeds less qualified expenditures made to date represent the funds received from flow-through share issuances that have not been spent and are held by the Company for such expenditures.

In September 2015, the Company issued 7,356,600 units on a flow-through basis at \$0.10 per share (see note 8(b)) for proceeds of \$735,660. As the price of the units were below the closing share price on the date of issuance, no flow-through liability was recognized. At February 28, 2017, the amount of flow-through proceeds which remains to be expended is \$nil (2016 - \$nil) and was spent by December 31, 2015.

In October 2015, the Company issued 9,676,600 units on a flow-through basis at \$0.10 per share (see note 8(b)) for proceeds of \$967,660. As the price of the units were below the closing share price on the date of issuance, no flow-through liability was recognized. At February 28, 2017, the amount of flow-through proceeds which remains to be expended is \$nil (2016 - \$nil) and was spent by December 31, 2015.

In July 2016, the Company issued 1,88,881 units on a flow-through basis at \$0.11 per share for proceeds of \$200,000. The company recognised an initial flow-through liability of \$18,182 which was subsequently recognised as a tax recovery as the flow-through proceeds were expended. At February 28, 2017, the amount of flow-through proceeds which remains to be expended is \$nil (2016 - \$nil) and was spent by December 31, 2016.

21. COMMITMENTS

The Company has no commitments other than in respect of long term liabilities as described in note 12.

22. SUBSEQUENT EVENTS

- i. On March 1, 2017, the Company announced that it had closed the second and final tranche of a non-brokered private placement of 4,179,521 units at a price of \$0.18 per unit for gross proceeds of \$752,314. Each Unit consists of one common share and one share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.27 per share for a period of 24 months from closing.
- ii. On April 5, 2017, the Company announced it closed a non-brokered private placement of 1,616,214 units ("Units") at a price of \$0.27 per Unit for gross proceeds of \$387,891. Each Unit consists of one common share and one share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.33 per share for a period of 24 months from closing.
- iii. On April 7, 2017, the Company announced that it had entered into an agreement to modify the acquisition terms of the Garland Nickel project, in order to clarify the terms of the final remaining option payment in light of the share consolidation announced December 31, 2016. The final option payment has now been agreed to be 592,592 shares of the Company. Should the Company exercise the option, a portion comprising 148,148 shares will be issued to Ridge Resources Ltd, a company controlled by a director.
- iv. On April 5, 2017, the Company granted 2,380,000 options to Directors, Officers, Consultants and Employees of the Company, exercisable at \$0.28 and valid for 5 years from date of issuance.
- v. On April 10, 2017, the Company announced that it had changed its name to Altamira Gold Corp.