

Brigadier Gold Limited
(An Exploration Stage Company)
Consolidated Financial Statements
(expressed in Canadian Dollars)
December 31, 2016 and 2015

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Brigadier Gold Limited:

We have audited the accompanying consolidated statements of financial position of Brigadier Gold Limited (the "Company") as of December 31, 2016, and 2015, and the related consolidated statements of (loss) income and comprehensive (loss) income, changes in shareholders' deficiency 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.

Auditors' 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 financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained 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 the Company as of December 31, 2016 and 2015 and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which highlights the existence of a material uncertainty relating to the conditions that cast significant doubt on the Company's ability to continue as a going concern.

MNP LLP

**Chartered Professional Accountants
Licensed Public Accountants**

Mississauga, Ontario
May 1, 2017

MNP

Brigadier Gold Limited
(An Exploration Stage Company)

Consolidated Statements of Financial Position

As at December 31, 2016 and 2015

	2016	2015
Assets		
Current assets		
Cash	\$ 482	\$ 860
Prepays and sundry receivables	-	1,250
	482	2,110
Investment (<i>note 4(ii)</i>)	50	-
	\$ 532	\$ 2,110
Liabilities and Shareholders' Deficiency		
Current liabilities		
Accounts payable and accrued liabilities (<i>note 7</i>)	\$ 490,979	\$ 143,934
	490,979	143,934
Shareholders' Deficiency		
Share capital (<i>note 5(a)</i>)	9,069,067	9,069,067
Warrants (<i>note 5(c)</i>)	-	-
Contributed surplus	4,381,655	4,381,655
Deficit	(13,941,169)	(13,592,546)
	(490,447)	(141,824)
	\$ 532	\$ 2,110

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

Contingencies (*note 10*)

Subsequent Event (*note 11*)

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

Approved by the Board

“Herb Kokotow”

Director

“Grant Hall”

Director

Brigadier Gold Limited
(An Exploration Stage Company)

Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income

For the years ended December 31, 2016 and 2015

	December 31, 2016	December 31, 2015
Expenses		
Professional fees	\$ 86,879	\$ 26,113
Salaries, director fees and benefits <i>(note 7)</i>	120,000	-
General and administration	36,534	9,993
Bad debt expense	-	2,585
Foreign exchange loss	51	1,631
Exploration and evaluation costs <i>(note 4)</i>	14,840	1,191
Consulting fees <i>(note 7)</i>	120,000	957
Loss on disposition of equipment	-	294
Gain on sale of mineral rights <i>(note 4)</i>	(29,681)	-
Gain on settlement of accounts payables and accrued liabilities <i>(note 7)</i>	-	(99,634)
	348,623	(56,870)
Net (loss) income and comprehensive (loss) income for the year	\$ (348,623)	\$ 56,870
Net (loss) income per share - basic and diluted	\$ (0.17)	\$ 0.03
Weighted average number of common shares outstanding	2,079,810	2,079,810

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

Brigadier Gold Limited
(An Exploration Stage Company)

Consolidated Statements of Changes in Shareholders' Deficiency
For the years ended December 31, 2016 and 2015

	Share Capital Shares	Amount	Warrants	Contributed Surplus	Deficit	Total Shareholders' Deficiency
Balance, January 1, 2015	2,079,810	\$ 9,069,067	\$ 559,724	\$ 3,821,931	\$(13,649,416)	\$ (198,694)
Warrants expired	-	-	(559,724)	559,724	-	-
Net income and comprehensive income for the year	-	-	-	-	56,870	56,870
Balance, December 31, 2015	2,079,810	\$ 9,069,067	\$ -	\$ 4,381,655	\$(13,592,546)	\$ (141,824)
Net loss and comprehensive loss for the year	-	-	-	-	(348,623)	(348,623)
Balance, December 31, 2016	2,079 810	\$ 9,069,067	\$ -	\$ 4,381,655	\$(13,941,169)	\$ (490,447)

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

Brigadier Gold Limited
(An Exploration Stage Company)

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

	December 31, 2016	December 31, 2015
Cash flow (used in) from operating activities		
Net (loss) income and comprehensive (loss) income for the year	\$ (348,623)	\$ 56,870
Items not affecting cash		
Gain on sale of mineral rights	(29,731)	-
Gain on settlement of accounts payable and accrued liabilities	-	(99,634)
Bad debt expenses	-	2,585
Loss on disposal of equipment	-	294
Changes in non-cash operating working capital		
Prepays and sundry receivables	1,250	2,406
Accounts payable and accrued liabilities	376,726	38,164
	<u>(378)</u>	<u>685</u>
(Decrease) increase in cash	(378)	685
Cash, beginning of year	860	175
Cash, end of year	\$ 482	\$ 860

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

Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

1. Nature of Operations and Going Concern

Brigadier Gold Limited (the “Company”) is incorporated under the Business Corporations Act (Ontario) and conducts exploration and development on mining properties in Canada. The address of the Company’s registered office is 3303 Don Mills Road, Unit 306, Toronto, Ontario, Canada, M2J 4T6. To date the Company has not realized any recoveries from its properties and is considered an exploration and development stage Company.

On March 16, 2017, the Company implemented a 30 for 1 consolidation of its common shares to be effective March 17, 2017. These consolidated financial statements reflect this consolidation as it relates to common shares and stock options outstanding.

The consolidated financial statements were approved by the Board of Directors on May 1, 2017.

These consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

The Company has incurred an accumulated deficit of \$13,941,169 (2015 - \$13,592,546). In addition, the Company has a working capital deficiency of \$490,497 as at December 31, 2016 (2015 - \$141,824). The Company will have to raise additional funds to continue operations. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available on terms acceptable to the Company.

These material uncertainties of successive operating losses, together with the challenges of securing requisite funding may cast significant doubt as to the Company’s ability to continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

2. Summary of Significant Accounting Policies

(a) Statement of compliance

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

(b) Basis of presentation

These consolidated financial statements have been prepared on a historical cost basis, with the exception of financial instruments classified as at fair value through profit or loss and available-for-sale which are measured at fair value.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 1848246 Ontario Inc. (formerly known as 1534185 Alberta Inc.), and Incahusai Exploraciones S.A. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company balances, transactions, revenues and expenses have been eliminated.

Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (Continued)

(c) Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit and loss

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments

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 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.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in comprehensive income. 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 accumulated other comprehensive income (loss) and recognized in profit or loss.

Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (Continued)

(c) Financial instruments (continued)

Impairment of financial assets

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each financial position reporting date. Financial assets are impaired when there is any objective evidence that the cash flows related to a financial asset or group of financial assets have been negatively impacted. Different criteria to determine impairment are applied for each category of financial assets described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the corresponding asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities

This category includes accounts payables and accrued liabilities and demand loan, all of which are recognized at amortized cost.

The Company's financial instruments consist of the following:

Financial assets and liabilities	Classification
Cash	Loans and receivables
Investment	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Demand loan	Other financial liabilities

Financial instruments recorded at fair value in the consolidated statements of financial position are classified according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities directly or indirectly; and
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

2. Summary of Significant Accounting Policies (Continued)

(d) Mineral property interests

Exploration and evaluation expenditures include the costs of acquiring licences, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are expensed as incurred.

(e) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use.

(f) Translation of foreign currencies

The Company's presentation currency is the Canadian dollar. The Company considers the functional currency of its Canadian operations and its subsidiaries to be the Canadian dollar. Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At the end of each reporting period, monetary assets and liabilities are translated using the year end foreign exchange rate at that date. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the consolidated statements of (loss) income and comprehensive (loss) income.

(g) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the consolidated statements of (loss) income and comprehensive (loss) income, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, adjusted for amendments to tax payable with regards to previous years.

The Company recognizes deferred tax on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in computing taxable profit or loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the asset can be utilized.

2. Summary of Significant Accounting Policies (Continued)

(h) Loss per common share

Basic income per share is computed by dividing the net loss applicable by the weighted average number of common shares outstanding during the reporting period. Diluted income per share is computed by dividing the net income by the sum of the weighted average number of common shares issued and outstanding during the reporting period and all additional common shares for the assumed exercise of options and warrants outstanding for the reporting period, if dilutive.

(i) Share-based payments

The share option plan allows Company employees, directors and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair value of the stock options granted is measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense for unvested options is adjusted to reflect the actual number of share options that are expected to vest.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

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

(j) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements do not include estimates that, by their nature, are uncertain.

3. New Accounting Standards and Interpretations

Standards Issued or Amended Which Will be Adopted in Future Periods

IFRS 9, Financial Instruments (“IFRS 9”) was initially issued by the IASB on November 12, 2009 and issued in its completed version in July 2014, and will replace IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for financial years beginning on or after January 1, 2018. The Company is currently assessing the effects of IFRS 9 and intends to adopt it on its effective date.

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) was issued by the IASB in May 2014 and clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 is effective for periods beginning on or after January 1, 2018 and is to be applied retrospectively. The Company's preliminary assessment of IFRS 15 has determined there will not be a significant impact to the consolidated financial statements as a result of the adoption of this standard.

IFRS 16, Leases (“IFRS 16”) was issued by the IASB in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. An entity applies IFRS 16 for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. The Company is currently assessing the effects of IFRS 16 and intends to adopt it on its effective date.

Brigadier Gold Limited
(An Exploration Stage Company)

Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

4. Mineral Property Interests

	December 31, 2016	December 31, 2015
Northern Ontario properties, Canada	\$ 14,840	\$ 1,191

Northern Ontario properties, Canada

As at December 31, 2016, the Company has an interest in mining claims in the Larder Lake Mining Division and the Porcupine Mining Division of Northern Ontario.

On December 15, 2015, the Company and Anchor Gold Limited (“Anchor”) signed an agreement to purchase from the Company all of its right, title and interest in the mining rights located in Hearst Township, in the Larder Lake Mining Division in the Province of Ontario, defined as 19 patented mining claims and 14 licences of occupation. On February 17, 2016, the transfer was completed.

In consideration of the transfer of all its right, title and interest in the Property Anchor:

(i) Assumed the Company’s obligation to make all tax payments, assessments and other charges lawfully levied against the Property, except where any of the same are being contested in good faith and non-payment thereof does not adversely affect the Property as required to maintain the Property in good standing on the date of signing the agreement, and expend monies on further exploration of the Property;

(ii) Issued as fully paid and non-assessable 500,000 common shares of Anchor with a fair value of \$50 on the date the Company completed the transfer of the Property to Anchor in registerable form;

(iii) Assumed the obligation to pay \$21,332 to a director and officer and \$8,399 to a director for expenses incurred on behalf of the Company;

(iv) In the event of Commercial Production from Mining Operations on the Property, the Company shall become entitled to a gross smelter return royalty interest of 0.01%;

(v) Paid the costs of preparing and registering any and all conveyances of the Property to Anchor.

Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

5. Share Capital

(a) Authorized and issued

Unlimited number of common shares without par value

(b) Stock options

The number of shares reserved for issuance under the Company's stock option plan is limited to 10% of the number of shares which are issued and outstanding on the date of a particular grant of options. Under the plan, the Board of Directors determines the term of a stock option to a maximum of 10 years, the period of time during which the options may vest, unless otherwise required by applicable securities law, stock exchange and other regulatory requirements, and when they become exercisable, as well as the option exercise price, which shall not be less than the prevailing price permitted by the TSX Venture Exchange. The Directors determine the recipients of, and nature and size of, share-based payment awards in compliance with applicable securities law, stock exchange and other regulatory requirements.

The following table summarizes option transactions for the years ended December 31, 2016 and 2015:

	Number of Options	Weighted Average Exercise Price
Balance, January 1, 2015	111,667	\$ 5.70
Cancelled and forfeited	(111,667)	\$ 5.70
Balance, December 31, 2015 and 2016	-	\$ -

(c) Warrants

As at December 31, 2016 and 2015, no share purchase warrants were outstanding.

Brigadier Gold Limited
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Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

6. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2015 – 26.5%) to the effective tax rates for the years ended December 31 is as follows:

	2016		2015	
(Loss) income before recovery of income taxes	\$	(348,623)	\$	56,870
Expected income tax expense (recovery)	\$	(92,390)	\$	15,070
Difference in foreign tax rates		-		(120)
Functional currency translation and other adjustments		29,870		44,420
Non-deductible expenses		34,360		9,610
Change in tax benefits not recognized		28,160		(68,980)
Income tax (recovery) expense	\$	-	\$	-

Unrecognized Deferred Tax Assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2016		2015	
Other temporary differences	\$	3,591	\$	3,590
Share issuance costs	\$	1,090	\$	29,050
Resource properties	\$	1,081,340	\$	1,145,190
Non-capital losses - Argentina	\$	46,110	\$	180,610
Non-capital losses – Canada	\$	4,888,300	\$	4,496,900

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Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

6. Income Taxes (Continued)

The Canadian non-capital loss carry forwards expire as noted in the table below. The Argentinian non-capital income tax losses expire between 2017 and 2019. Share issue and financing costs will be fully amortized in 2017. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

2027	\$	116,570
2028		449,130
2029		346,010
2030		184,060
2031		722,780
2032		1,308,680
2033		569,220
2034		723,200
2035		77,250
2036		391,400
	\$	4,888,300

7. Related Party Transactions and Balances

Related party transactions reflected in these consolidated financial statements are as follows:

During the year ended December 31, 2016, the Company incurred \$240,000 (2015 - \$957) in salaries, directors fees and consulting fees and \$Nil (2015 - \$9,993) in professional fees to directors and officers. As at December 31, 2016, \$275,873 (2015 - \$29,731) is included in accounts payable and accrued liabilities.

For the year ended December 31, 2016 Brigadier Gold Limited recorded a gain on settlement of accounts payable and accrued liabilities in the amount of \$Nil (2015 - \$99,634), arising from settlement agreements with directors and officers (note 4(iii)).

8. Management of Capital

The Company considers its capital structure to consist of shareholders' deficiency. The Company's objective in managing capital is to maintain adequate levels of funding to support organizational functions and obtain sufficient funding to further the identification and development of precious metals deposits. 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 properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic and economic potential and if it has adequate financial resources to do so.

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

There were no changes in the Company's approach to capital management during the year ended December 31, 2016. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

9. Financial Instruments and Risk Management

The carrying values of cash, and accounts payable and accrued liabilities are considered representative of their respective fair values due to their short term period to maturity.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency risk and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk at the consolidated statements of financial position date under its financial instruments is summarized as follows:

Those financial assets that potentially subject the Company to credit risk are its cash. Substantially all of the Company's cash is held with major financial institutions in Canada, and management believes the exposure to credit risk with such institutions is not significant.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in note 9, in normal circumstances. Further information regarding liquidity risk is set out in note 1.

- Interest rate risk

The Company had no significant exposure at December 31, 2016, to interest rate risk through its financial instruments.

- Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Commodity price risk is remote since the Company is not a producing entity. 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 individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

9. Financial Instruments and Risk Management (Continued)

Liquidity risk (continued)

- Currency risk

The Company's currency risk arises primarily with fluctuations in the United States dollar. The Company has no revenue and any exposure to currency risk is related to expenditures by the Company in the United States.

10. Contingencies

From time to time, the Company may be involved in a variety of claims arising from the ordinary course of business. Regardless of outcome, legal claims can have an adverse impact on the Company because of legal costs, diversion of management resources and other factors.

During the year ended December 31, 2014, the Company settled a dispute with a former consultant. The settlement requires the Company to make monthly payments totaling \$27,000, and was scheduled to be completed on July 14, 2015. As at December 31, 2016, \$13,500 (2015 - \$13,500) is included in accounts payable and accrued liabilities.

11. Subsequent Event

- A. On March 16, 2017, the Company implemented a 30 for 1 consolidation of its common shares to be effective March 17, 2017.
- B. On April 24, 2017, the Company completed a non-brokered private placement for the issuance of 10,000,000 units at a price of \$0.10 per Unit for gross proceeds of \$1,000,000. Each Unit consists of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire one common share at an exercise price of \$0.20 for a period of 12 months from the closing.