



CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF CARLIN GOLD CORPORATION

We have audited the accompanying consolidated financial statements of Carlin Gold Corporation, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of loss and comprehensive loss, equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

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 consolidated financial statements are free from material misstatement.

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

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

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 22, 2017



Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at December 31,	2016	2015
Assets		
Current assets:		
Cash	\$ 236,623	\$ 32,338
Accounts receivable	7,935	3,860
Available-for-sale investments (Note 5)	120,000	60,000
Prepaid expenses	7,375	7,292
	371,933	103,490
Exploration and evaluation properties (Note 6)	1,704,882	1,654,756
Reclamation bonds	64,477	70,877
	\$ 2,141,292	\$ 1,829,123
Liabilities		
Current liabilities:		
Trade payables and accrued liabilities	\$ 36,586	\$ 19,050
Amounts due to related parties (Note 9)	59,611	54,059
	96,197	73,109
Equity		
Share capital (Note 7)	10,603,291	10,322,637
Reserves - Stock options and warrants (Note 7b)	1,126,222	849,674
Reserves - Available-for-sale-investments (Note 5)	120,000	60,000
Deficit	(9,804,418)	(9,476,297)
	2,045,095	1,756,014
	\$ 2,141,292	\$ 1,829,123

"K. Wayne Livingstone"
Director

"Robert Culbert"
Director

See accompanying notes to consolidated financial statements.



Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

	2016	2015
Expenses:		
Accounting and audit	\$ 18,360	\$ 19,880
Insurance	12,417	14,250
Legal fees	10,599	8,005
Management and administration fees (Note 9)	120,000	120,000
Office	7,188	11,157
Regulatory fees	8,093	8,578
Rent	6,000	6,000
Share-based payments (Notes 7b)	76,548	-
Technical consulting (Note 9)	23,809	46,254
Transfer agent fees	5,771	4,335
Travel	-	22
	(288,785)	(238,481)
Foreign exchange gain	878	2,278
Expense recoveries	-	3,550
Gain on sale of available-for-sale investments	-	121,771
Write-down of exploration properties (Note 6d)	(40,214)	(35,797)
Net loss for the year	(328,121)	(146,679)
Items of comprehensive income (loss)		
Item that will not be recycled to profit or loss:		
Transfer on sale of available-for-sale investments	-	(141,771)
Item that will be recycled to profit or loss:		
Fair value change of available-for-sale investments	60,000	(110,000)
Comprehensive loss for the year	\$ (268,121)	\$ (398,450)
Loss per share (basic and diluted)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding	80,414,874	78,939,464

See accompanying notes to consolidated financial statements.

Consolidated Statements of Equity
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

	Share Capital		Reserves			Deficit	Total Equity
	Number of Shares	Amount	Stock Options	Warrants	Available-for-Sale Investments		
Balance, December 31, 2014	78,939,464	\$ 10,322,637	\$ 826,586	\$ 23,088	\$ 311,771	\$ (9,329,618)	\$ 2,154,464
Items of comprehensive loss	-	-	-	-	(251,771)	-	(251,771)
Net loss for the year						(146,679)	(146,679)
Balance, December 31, 2015	78,939,464	10,322,637	826,586	23,088	60,000	(9,476,297)	1,756,014
Private placement (Note 7)	10,000,000	300,000	-	200,000	-	-	500,000
Share issuance costs	-	(19,346)	-	-	-	-	(19,346)
Share-based payments (Note 7b)	-	-	76,548	-	-	-	76,548
Items of comprehensive income	-	-	-	-	60,000	-	60,000
Net loss for the year	-	-	-	-	-	(328,121)	(328,121)
Balance, December 31, 2016	88,939,464	\$ 10,603,291	\$ 903,134	\$ 223,088	\$ 120,000	\$ (9,804,418)	\$ 2,045,095

See accompanying notes to consolidated financial statements.



Consolidated Statements of Cash Flows
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

	2016	2015
Operating Activities:		
Net loss for the year	\$ (328,121)	\$ (146,679)
Items not affecting cash:		
Gain on sale of available-for-sale investments	-	(121,771)
Foreign exchange	(23,503)	6,732
Share-based payments (Note 7b)	76,548	-
Write-down of exploration and evaluation properties (Note 6d)	40,214	35,797
Change in non-cash operating working capital:		
Accounts receivable	(4,075)	(1,893)
Prepaid expenses	(83)	1,750
Trade payables and accrued liabilities	17,536	(3,142)
Due to related parties (Note 9)	5,552	48,974
Cash Used in Operating Activities	(215,932)	(180,232)
Investing Activities:		
Proceeds from sale of available-for-sale investments	-	150,000
Exploration and evaluation property expenditures (Note 6)	(90,340)	(72,432)
Refund of reclamation bond	6,400	-
Cash Provided by (Used in) Investing Activities	(83,940)	77,568
Financing Activities:		
Private placement proceeds (Note 7a)	500,000	-
Share issuance costs (Note 7a)	(19,346)	-
Repayments from joint venture partner	-	20,526
Cash Provided by Financing Activities	480,654	20,526
Foreign Exchange Effect on Cash	23,503	(6,732)
Increase (Decrease) in Cash	204,285	(88,870)
Cash, Beginning of Year	32,338	121,208
Cash, End of Year	\$ 236,623	\$ 32,338
Supplemental cash flow information:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

See accompanying notes to consolidated financial statements.



Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Carlin Gold Corporation (the “Company”) is registered under the British Columbia *Business Corporations Act* and trades on the TSX Venture Exchange. The Company is in the business of acquiring, exploring and developing mineral properties in Nevada and Yukon, and has not yet determined whether its properties contain ore reserves that are economically recoverable. The head office and principal address of the Company is situated at Suite 320 – 800 West Pender Street, Vancouver, British Columbia, Canada, V6C 2V6.

The Company has not generated any revenue since inception, has never paid dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. During the year ended December 31, 2016, the Company incurred a net loss of \$328,121 (2015 - \$146,679) and as at December 31, 2016 the Company has working capital of \$275,736 (2015 - \$30,381). The continuation of the Company as a going concern is dependent upon the ability of the Company to obtain necessary equity financing to continue operations and to determine the existence, discovery and successful exploitation of economically recoverable reserves in its mineral properties, confirmation of the Company's interests in the underlying properties and the attainment of profitable operations, or realize proceeds from their sale.

The ability of the Company to continue as a going concern and meet its commitments as they become due, including completion of the acquisition, exploration and development of its mineral property interests, is dependent on the Company's ability to obtain the necessary financing. The Company will require additional capital to finance future operations and growth. If the Company is unable to obtain additional financing, the Company would be unable to continue. There can be no assurance that management's plans will be successful.

The business of mineral exploration involves a high degree of risk and there is no assurance that current exploration projects will result in future profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead, pay its liabilities and maintain its mineral interests. The recoverability of amounts shown for exploration and evaluation properties is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of these exploration and evaluation properties, and establish future profitable production, or realize proceeds from the disposition of exploration and evaluation properties. The carrying value of the Company's exploration and evaluation properties does not reflect current or future values.

These matters indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.



Notes to Consolidated Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION

a) Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The accounting policies, methods of computation and presentation applied in these consolidated financial statements are consistent with those of the previous financial year.

b) Approval of consolidated financial statements

These consolidated financial statements of the Company for the years ended December 31, 2016 and 2015 were approved and authorized for issue by the Board of Directors on March 22, 2017.

These consolidated financial statements include the accounts of the Company and its 100% controlled entity, Carlin Gold US Inc. (a Nevada corporation).

Inter-company balances and transactions, including unrealized income and expenses arising from inter-company transactions, are eliminated on consolidation.

c) New standards and interpretations not yet adopted

At the date of authorization of these consolidated financial statements, the IASB and IFRS Interpretations Committee (“IFRIC”) have issued the following new and revised standards and interpretations that are either not applicable or are not expected to have a significant impact on the Company’s consolidated financial statements.

The Company has not early adopted these standards and is currently assessing the impact these standards will have on its consolidated financial statements.

IFRS 16 Leases

Issued by IASB	January 2016
Effective for annual periods beginning	January 1, 2019

Earlier application permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*.

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

2. BASIS OF PRESENTATION (Continued)

c) New standards and interpretations not yet adopted (continued)

IFRS 16 Leases (continued)

The main features of the new standard are as follows:

An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

IFRS 9 *Financial Instruments*

Issued by IASB July 2014
Effective for annual periods beginning January 1, 2018

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

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

- Classification and measurement of financial assets:
Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- Classification and measurement of financial liabilities:
When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.

2. BASIS OF PRESENTATION (Continued)

c) New standards and interpretations not yet adopted (continued)

IFRS 9 *Financial Instruments* (continued)

- Impairment of financial assets:
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at “amortized cost” or “fair value through other comprehensive income”, lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- Hedge accounting:
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

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

Issued by IASB	January 2016
Effective for annual periods beginning	January 1, 2017

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Judgments and estimates

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Judgments and estimates (continued)

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

Share-based payments

The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

Going concern

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

Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Functional currency

The Company applied judgment in determining its functional currency and the functional currency of its subsidiary. Functional currency was determined based on the currency in which funds are sourced and the degree of dependence by the subsidiary on the Company for financial support.

Exploration and evaluation properties

Management is required to make judgments on the status of each mineral property and the future plans with respect to finding commercial reserves. The nature of exploration and evaluation activity is such that only a few projects are ultimately successful and some assets are likely to become impaired in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Judgments and estimates (continued)

Exploration and evaluation properties (continued)

Assets or cash-generating units are evaluated at each reporting date to determine whether there are any indicators of impairments. 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 properties.

Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, economic assessments/studies, accessible facilities and existing permits.

b) Foreign currency translation

The functional and reporting currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rate of exchange prevailing on the dates of transactions. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at each reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign currency translation differences are recognized in profit or loss, except for differences on the retranslation of available-for-sale ("AFS") instruments, which are recognized in other comprehensive income/loss.

c) Exploration and evaluation properties

Costs directly related to the exploration and evaluation of resource properties are capitalized once the legal rights to explore the resource properties are acquired or obtained. When the technical and commercial viability of a mineral resource have been demonstrated and a development decision has been made, the capitalized costs of the related property are transferred to mining assets and depreciated using the unit-of-production method on commencement of commercial production.

If it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable, or the property is abandoned or management has determined an impairment in value, the cash generating unit is written down to its recoverable amount. Resource properties are reviewed for impairment at each reporting date.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee, and accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments received are recorded as a gain on option or disposition of mineral property.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Impairment of non-current assets

The Company's tangible and intangible assets are reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. The recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss to the extent the carrying amount exceeds the recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

e) Provision for closure and reclamation

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of resource properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision. The increase in the provision due to the passage of time is recognized as interest expense.

f) Income taxes

The Company uses the statement of financial position method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Income taxes (continued)

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

g) Share-based payments

The Company has a stock option plan that is described in Note 7b. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. 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. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to option reserve. Consideration received on the exercise of stock options is recorded as share capital and the related option reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from option reserve.

h) Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of common shares outstanding in the year. For all years presented, the loss available to common shareholders equals the reported loss. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share, as the effects of including all outstanding options and warrants would be anti-dilutive.

i) Financial instruments and comprehensive income/loss

(i) Financial assets

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

Held-to-maturity

Held-to-maturity financial assets are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method.

Financial assets at fair value through profit or loss

Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Financial instruments and comprehensive income/loss (continued)

(i) Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment.

Available-for-sale financial assets

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

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

(ii) Financial liabilities

The Company classifies its financial liabilities in the following categories:

Borrowings and other financial liabilities

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date.

(iii) Fair value hierarchy

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Level 3 – Inputs for the asset or liability that are not based on observable market data.



Notes to Consolidated Financial Statements
 For the years ended December 31, 2016 and 2015
 (Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Share capital

The Company records proceeds from share issuances, net of issue costs. Common shares issued for consideration other than cash are valued based on their market value at the date the agreement to issue shares is concluded.

k) Valuation of equity units issued in private placements

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company has classified its cash as FVTPL; available-for-sale investments, as AFS; and trade payables and accrued liabilities and amounts due to related parties, as other financial liabilities.

Fair value

The carrying values of trade payables and accrued liabilities, and amounts due to related parties all approximate their fair value due to the short-term nature of these financial instruments.

At December 31, 2016 and 2015, the AFS investment is valued using quoted prices (unadjusted) from an active market (Level 1).

The principal risks to which the Company's financial instruments are exposed are described below.

a) 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 contractual obligations. The Company is exposed to credit risk on its cash. However, this risk is minimized as all amounts are held with major Canadian and American financial institutions. The Company's concentration of credit risk and maximum exposure thereto is as follows:

<i>As at December 31,</i>	2016	2015
Cash – Canada	\$ 152,692	\$ 30,263
Cash – USA	83,931	2,075
Total	\$ 236,623	\$ 32,338

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities.

The Company is dependent on raising funds through the issuance of shares, obtaining debt financing and/or attracting joint venture partners in order to undertake further exploration and development of its mineral properties and finance office and administrative expenditures. There can be no assurance the Company will be able to raise funds in the future.

The Company has a portfolio of investment securities, which are AFS. The Company may, from time to time, liquidate a portion of its holdings depending on market conditions and the Company's cash requirements. Depending on timing, the Company's ability to liquidate these securities is subject to price fluctuations and market conditions, which may affect the Company's ability to liquidate the securities in a timely manner.

At December 31, 2016, the Company had trade payables totaling \$36,586 (2015 - \$19,050), which are due within 90 days and amounts due to related parties totaling \$59,611 (2015 - \$54,059).

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

(i) Interest rate risk

The Company is not exposed to significant interest rate risk. The Company's bank accounts earn interest at variable rates. Future cash flows from interest income on cash will be immaterially affected by interest rate fluctuations.

(ii) Foreign currency risk

As at December 31, 2016, certain of the Company's financial instruments are held in US dollars. The Company has operations in Nevada, USA. As a result, the Company is exposed to foreign currency risk from fluctuations between the Canadian and US dollar.

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4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

c) Market risk (continued)

(ii) Foreign currency risk (continued)

The Company does not use derivatives or similar techniques to manage currency risk.

As at December 31, 2016, the Company is exposed to foreign currency risk on \$68,602 USD (2015 - \$1,729 USD) cash.

Based on the above, net foreign currency exposure as at December 31, 2016, assuming all other variables remain constant, a 15% (2015 - 18%) weakening or strengthening of the Canadian dollar against the US dollar would result in an insignificant increase/decrease of comprehensive loss for the period.

(iii) Other price risk

Other price risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from currency risk or interest rate risk. The Company's AFS investments are carried at market value and are, therefore, directly affected by fluctuations in the market value of the underlying securities. The Company's sensitivity analysis suggests that a 75% (2015 - 40%) change in market prices would change other comprehensive income/loss by approximately \$90,000 (2015 - \$24,000).

5. AVAILABLE-FOR-SALE INVESTMENTS

At December 31, 2016 and 2015, the Company owned the following AFS investment:

	December 31, 2016			December 31, 2015		
	Number of Shares	Cost	Fair Value	Number of Shares	Cost	Fair Value
Constantine Metal Resources Ltd.	1,000,000	-	\$120,000	1,000,000	-	\$60,000

Constantine Metal Resources Ltd. ("Constantine") is related to the Company through two common directors (Mr. K. Wayne Livingstone and Mr. Brian Irwin) and a common officer (Mr. Aris Morfopoulos). The Company's investment in Constantine represents an ownership interest of 0.85% at December 31, 2016 (2015 - 0.86%).

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6. EXPLORATION AND EVALUATION PROPERTIES

The following is a summary of the Company's exploration and evaluation properties:

	Cortez Summit	JDS	Willow	Whisky Canyon	Yukon	Total
Balance, December 31, 2014	\$ 1,618,117	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1,618,121
Acquisition costs	31,090	15,259	18,842	-	-	65,191
Geological	5,545	96	192	45	1,363	7,241
Write-down of exploration and evaluation property	-	(15,355)	(19,034)	(45)	(1,363)	(35,797)
Balance, December 31, 2015	1,654,752	1	1	1	1	1,654,756
Acquisition costs	17,918	15,808	19,697	-	4,620	58,043
Geological	32,208	-	42	47	-	32,297
Write-down of exploration and evaluation property	-	(15,808)	(19,739)	(47)	(4,620)	(40,214)
Balance, December 31, 2016	\$ 1,704,878	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1,704,882

a) Cortez Summit Property, Nevada USA

The Company owns a 100% interest in claims in the Cortez gold trend in Eureka County, Nevada, which were acquired by staking and are not subject to any royalties.

In November 2016, the Company entered into an Exploration and Earn-In agreement with Barrick Gold Corporation ("Barrick") on the Cortez Summit property. Under the terms of the agreement, Barrick has the right to earn a 70% interest in the property by making expenditures totaling US\$5 million by December 31, 2020, of which US\$500,000 is a firm commitment to be completed by September 1, 2017. Under the terms of the agreement, upon expenditure by Barrick of US\$5 million, a limited liability company will be formed to own the project with membership interests owned 70% by Barrick and 30% by the Company. In addition to its 30% working interest, the Company will retain a 2% net smelter return royalty on future production. As part of the Exploration and Earn-In agreement, Barrick has agreed to purchase 6,000,000 units of the Company at \$0.05 per unit which were issued on November 28, 2016 (Note 7a).

b) Closure costs

The Company has assessed that it does not have any closure costs at this time.

6. EXPLORATION AND EVALUATION PROPERTIES (Continued)

c) Realization of assets

The investment in and expenditures on exploration and evaluation properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or proceeds from their disposal.

Resource exploration and development are highly speculative and contain inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

d) Write-down of exploration and evaluation property costs

During the year ended December 31, 2016, the Company incurred costs totaling \$40,214 (2015 - \$35,797) on exploration properties that have been previously written down for accounting purposes, because they were considered impaired under IFRS, in accordance with Level 3 of fair value hierarchy.

e) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent, and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on the property may be diminished or negated.

f) Title to mineral property interests

Although the Company has taken steps to verify title to its exploration and evaluation properties, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.



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7. SHARE CAPITAL

a) Authorized: unlimited number of common shares without par value

Issued and outstanding: 88,939,464 (2015 – 78,939,464) common shares

On November 28, 2016, the Company completed a non-brokered private placement of \$500,000, consisting of 10,000,000 units at \$0.05 per unit. Each unit consisted of one common share of the Company and one-half of one transferable share purchase warrant of the Company. Each warrant is exercisable to acquire one common share at an exercise price of \$0.10 for a period of two years from the date of closing. The Company incurred share issuance costs of \$19,346 in connection with the private placement.

b) Stock options

The Company has established a share purchase option plan whereby the Board of Directors may, from time to time, grant options to directors, officers, employees or consultants. Options granted must be exercised no later than five years from the date of grant or such lesser period as determined by the Company's Board of Directors. The exercise price of an option is not less than the closing price of the stock on the last trading day preceding the grant date. The maximum number of options to be granted under this plan is 7,893,946.

On February 25, 2016, the Company issued 5,500,000 incentive stock options to directors, which are exercisable for the purchase of 5,500,000 shares of the Company at an exercise price of \$0.05 per share for a period of five years.

A summary of the status of the Company's stock options at December 31, 2016 and 2015 and changes during the years then ended are as follows:

	December 31, 2016		December 31, 2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,800,000	\$0.13	3,225,000	\$0.11
Granted	5,500,000	\$0.05	-	-
Expired	-	-	(1,425,000)	\$0.10
Outstanding, end of year	7,300,000	\$0.07	1,800,000	\$0.13

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7. SHARE CAPITAL (Continued)

b) Stock options (continued)

A summary of the Company's stock options as at December 31, 2016 is as follows:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life (in years)	Number of Options Exercisable (vested)
June 18, 2017	\$0.125	1,400,000	0.46	1,400,000
July 31, 2017	\$0.125	400,000	0.58	400,000
February 26, 2021	\$0.050	5,500,000	4.15	5,500,000
		7,300,000		7,300,000

A summary of the Company's stock options as at December 31, 2015 is as follows:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Contractual Life (in years)	Number of Options Exercisable (vested)
June 18, 2017	\$0.125	1,400,000	1.46	1,400,000
July 31, 2017	\$0.125	400,000	1.58	400,000
		1,800,000	1.50	1,800,000

During the year ended December 31, 2016, the Company recognized share-based payments expense of \$76,548 (2015 - \$nil) for options granted.

For the 5,500,000 (2015 - nil) stock options granted in February 2016, the fair value of each option granted to employees was estimated as at the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions and resulting fair value:

	2016
Risk-free interest rate	0.53%
Expected life of options	5 years
Annualized volatility	114.07%
Dividend rate	0.00%
Grant date fair value	\$ 0.02

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7. SHARE CAPITAL (Continued)

c) Warrants

A summary of the Company's warrants at December 31, 2016 and 2015 is as follows:

	December 31, 2016		December 31, 2015	
	Number of warrants	Weighted-average exercise price	Number of warrants	Weighted-average exercise price
Outstanding, beginning of year	21,404,467	\$0.16	21,404,467	\$0.16
Granted	5,000,000	0.10	-	-
Outstanding, end of year	26,404,467	\$0.15	21,404,467	\$0.16

The expiry date of the 21,404,467 warrants exercisable at \$0.16 is July 24, 2017. The expiry date of the 5,000,000 warrants exercisable at \$0.10 is November 8, 2018.

8. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26% (2015 - 26%) to income before income taxes. The reason for the differences is as follows:

	2016	2015
Loss before tax	\$ (328,121)	\$ (146,679)
Statutory income tax rate	26.0%	26.0%
Expected income tax	(85,311)	(38,137)
Items non-deductible for income tax purposes	12,103	-
Differences between Canadian and foreign tax rates	(5,821)	(4,771)
Change in timing differences	(2,965)	(25,145)
Expired losses	64,729	-
Write-off of exploration properties	(10,456)	(9,307)
Under (over) provided in prior years	(11,303)	457,111
Impact of foreign exchange on tax assets and liabilities	(47,054)	(253,410)
Unused tax losses and tax offsets not recognized in tax	86,078	(126,341)
Total income taxes	\$ -	\$ -

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2016 and 2015 are presented below:

	2016	2015
Marketable securities	\$ (14,300)	\$ (3,775)
Non-capital loss carry-forwards utilized	14,300	3,775
Net deferred income tax liability	\$ -	\$ -

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8. INCOME TAXES (Continued)

The Company recognizes tax benefits or losses or other deductible amounts generated in countries where the probable criteria for the recognition of deferred tax assets have been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2016	2015
Future income tax assets		
Non-capital loss carry-forwards	\$ 3,919,114	\$ 3,784,740
Share issue costs	15,477	22,127
AFS investments	11,843	-
Mineral property interests	4,238,680	4,282,654
Unrecognized deductible temporary differences	\$ 8,185,114	\$ 8,089,521

The Company's unrecognized unused tax losses for December 31, 2016 have the following expiry dates:

Year expiring:	Canada	USA	Total
2025	\$ -	\$ 53,650	\$ 53,650
2026	201,647	135,693	337,340
2027	205,478	936,772	1,142,250
2028	169,653	463,432	633,085
2029	161,397	-	161,397
2030	175,460	7,488	182,948
2031	192,448	37,330	229,778
2032	332,281	38,773	371,054
2033	156,255	31,368	187,623
2034	216,630	43,670	260,300
2035	149,346	55,707	205,053
2036	209,633	-	209,633
Total	\$ 2,170,228	\$ 1,803,883	\$ 3,974,111



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9. RELATED PARTY TRANSACTIONS

Key management personnel compensation consists of the Chief Executive Officer, Chief Financial Officer (“CFO”) and the Vice-President of Exploration. Aggregate compensation for the year ended December 31, 2016 was \$219,832 (2015 - \$169,827) for management and other fees, as described below.

The Company paid or accrued a total of \$60,000 (2015 - \$60,000) for management and administration services to NS Star Enterprises Ltd., a company controlled by the president, during the year ended December 31, 2016. The Company paid or accrued a total of \$60,000 for accounting, management and administration services to Morfopoulos Consulting Associates Ltd., a company controlled by the CFO, during the year ended December 31, 2016 (2015 - \$60,000). The Company paid or accrued a total of \$48,335 (2015 - \$49,827) of which \$24,526 (2015 - \$3,573) was capitalized to exploration and evaluation properties from Mr. Robert Thomas, Vice-President of Exploration, for technical consulting and management and administration services during the year ended December 31, 2016.

As at December 31, 2016, a total of \$59,611 (2015 - \$39,059) is due to director Mr. Thomas for fees, technical consulting services and expenses incurred on behalf of the Company. As at December 31, 2016, a total of \$nil (2015 - \$15,000) is due to NS Star Enterprises Ltd. for management and administration services. These amounts are unsecured, without interest or stated terms of repayment.

In February 2016, the Company issued 3,700,000 stock options to the above key management, with an aggregate fair value of \$51,497 (2015 - \$nil).

10. MANAGEMENT OF CAPITAL

The Company manages its common shares, stock options and warrants as capital (Note 7). There has been no change in the nature of the Company’s capital during the year ended December 31, 2016. The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company does not have any externally imposed capital restrictions.

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

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.



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11. SEGMENTED INFORMATION

The Company has one operating segment: mineral exploration and development. The Company's non-current assets by geographical location are as follows as at the dates shown below:

<i>As at December 31,</i>	2016		2015	
Canada	\$	1	\$	1
United States		1,769,358		1,725,632
Total	\$	1,769,359	\$	1,725,633