

TEUTON RESOURCES CORP.

Financial Statements

Years Ended December 31, 2016 and 2015

(Expressed in Canadian dollars)



INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Teuton Resources Corp.

We have audited the accompanying financial statements of Teuton Resources Corp. which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of operations and comprehensive income (loss), changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Teuton Resources Corp. 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 as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Teuton Resources Corp. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
April 28, 2017

TEUTON RESOURCES CORP.Statements of financial position
(Expressed in Canadian dollars)

	December 31, 2016 \$	December 31, 2015 \$
Assets		
Current assets		
Cash	98,622	21,188
Marketable securities (Note 3)	796,930	36,953
Amounts receivable (Note 4)	171,508	86
Prepaid expenses and deposits	2,751	5,356
Asset held for sale (Note 7)	–	155,000
Total current assets	1,069,811	218,583
Non-current assets		
Long-term receivable (Note 5)	77,386	77,386
Due from related party (Note 10(g))	287,025	354,338
Reclamation bonds (Note 8(d))	104,300	112,800
Property and equipment (Note 6)	234,325	98,107
Exploration and evaluation assets (Note 8)	3,131,442	3,209,659
Total non-current assets	3,834,478	3,852,290
Total assets	4,904,289	4,070,873
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Notes 9 and 10)	127,578	1,637,612
Due to related party (Note 10(f))	44,676	7,669
Total liabilities	172,254	1,645,281
Equity		
Share capital	16,145,843	15,781,393
Share subscriptions received (Notes 11(c) and (f))	13,500	17,500
Share-based payment reserve	1,355,097	1,355,097
Accumulated other comprehensive income (loss)	(726,112)	16,411
Deficit	(12,056,293)	(14,744,809)
Total equity	4,732,035	2,425,592
Total liabilities and equity	4,904,289	4,070,873

Nature of operations and going concern (Note 1)
Legal proceedings (Note 15)
Commitment (Note 20)

Approved and authorized for issuance on behalf of the Board on April 28, 2017:

Dino Cremonese, Director_____
Edward Kruchkowski, Director

(The accompanying notes are an integral part of these financial statements)

TEUTON RESOURCES CORP.Statements of operations and comprehensive income (loss)
(Expressed in Canadian dollars)

	Year ended December 31, 2016 \$	Year ended December 31, 2015 \$
Expenses		
Advertising and promotion	10,136	14,147
Consulting (Note 10)	27,500	37,400
Depreciation	7,135	5,584
Office, rent and telephone (Note 10)	36,741	154,955
Professional fees	68,729	62,005
Salaries and benefits (Note 10)	117,225	96,430
Share-based compensation (Note 10)	–	42,551
Transfer agent and regulatory fees	21,280	21,745
Travel and meals	3,198	5,238
Total expenses	291,944	440,055
Loss before other income (expense)	(291,944)	(440,055)
Other income (expense)		
Gain on sale of property and equipment	96,903	37,160
Impairment of marketable securities (Note 3)	–	(6,960)
Impairment of property and equipment	–	(64,997)
Interest income	635	1,028
Legal settlement (Note 15)	–	(154,546)
Option proceeds received in excess of capitalized costs	1,548,390	–
Gain on settlement of accounts payable	167,885	–
Gain on de-recognition of accounts payable	1,166,647	–
Total other income (expense)	2,980,460	(188,315)
Net income (loss) for the year	2,688,516	(628,370)
Other comprehensive income (loss)		
Unrealized gain (loss) on marketable securities (Note 3)	(742,523)	7,230
Comprehensive income (loss) for the year	1,945,993	(621,140)
Basic earnings (loss) per share	0.10	(0.03)
Diluted earnings (loss) per share	0.09	(0.03)
Weighted average number of common shares outstanding - basic	27,121,150	20,703,648
Weighted average number of common shares outstanding - diluted	30,731,513	20,703,648

(The accompanying notes are an integral part of these financial statements)

TEUTON RESOURCES CORP.Statements of changes in equity
(Expressed in Canadian dollars)

	Share capital		Share subscriptions received	Share-based payment reserve	Accumulated other comprehensive income (loss)	Deficit	Total equity
	Number of shares	Amount \$					
Balance, December 31, 2014	14,008,882	15,210,545	–	1,296,474	9,181	(14,116,439)	2,399,761
Units issued pursuant to private placements	10,030,000	601,800	–	–	–	–	601,800
Share issuance costs	–	(30,952)	–	16,072	–	–	(14,880)
Share subscriptions received	–	–	17,500	–	–	–	17,500
Unrealized gain on marketable securities	–	–	–	–	7,230	–	7,230
Share-based compensation	–	–	–	42,551	–	–	42,551
Net loss for the year	–	–	–	–	–	(628,370)	(628,370)
Balance, December 31, 2015	24,038,882	15,781,393	17,500	1,355,097	16,411	(14,744,809)	2,425,592
Units issued pursuant to private placements	2,500,000	125,000	(17,500)	–	–	–	107,500
Shares issued pursuant to warrants exercised	3,570,000	239,450	–	–	–	–	239,450
Share subscriptions received	–	–	13,500	–	–	–	13,500
Unrealized loss on marketable securities	–	–	–	–	(742,523)	–	(742,523)
Net income for the year	–	–	–	–	–	2,688,516	2,688,516
Balance, December 31, 2016	30,108,882	16,145,843	13,500	1,355,097	(726,112)	(12,056,293)	4,732,035

(The accompanying notes are an integral part of these financial statements)

TEUTON RESOURCES CORP.

Statements of cash flows

(Expressed in Canadian dollars)

	Year ended December 31, 2016 \$	Year ended December 31, 2015 \$
Operating activities		
Net income (loss) for the year	2,688,516	(628,370)
Items not involving cash:		
Depreciation	7,135	5,584
Gain on sale of property and equipment	(96,903)	(37,160)
Impairment of marketable securities	—	6,960
Impairment of property and equipment	—	64,997
Option proceeds received in excess of capitalized costs	(1,548,390)	—
Share-based compensation	—	42,551
Gain on settlement of accounts payable	(167,885)	—
Gain on de-recognition of accounts payable	(1,166,647)	—
Changes in non-cash operating working capital:		
Amounts receivable	(37,660)	84,090
Prepaid expenses and deposits	52,412	5,805
Accounts payable and accrued liabilities	(123,462)	(270,758)
Legal claim provision	—	(165,000)
Due to/from related parties, net	62,591	17,003
Net cash used in operating activities	(330,293)	(874,298)
Investing activities		
Exploration and evaluation asset expenditures	(728,031)	(72,321)
Mineral property option payments received/cost recoveries	731,111	266,111
Proceeds from reclamation bonds	8,500	—
Proceeds from sale of assets held for sale	10,907	40,000
Proceeds from sale of property and equipment	155,000	—
Purchase of property and equipment	(130,210)	(3,328)
Net cash provided by investing activities	47,277	230,462
Financing activities		
Proceeds from shares issued / share subscriptions received	360,450	619,300
Share issuance costs	—	(14,880)
Loan received from a related party	—	17,500
Repayment of loan to a related party	—	(17,500)
Net cash provided by financing activities	360,450	604,420
Change in cash	77,434	(39,416)
Cash, beginning of year	21,188	60,604
Cash, end of year	98,622	21,188
Supplemental disclosures:		
Interest paid	—	—
Income taxes paid	—	—

Non-cash investing and financing activities (Note 19)

(The accompanying notes are an integral part of these financial statements)

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

1. Nature of Operations and Going Concern

Teuton Resources Corp. (the "Company") is an exploration stage company and is in the business of acquiring, exploring and dealing in mineral properties in the province of British Columbia, Canada. There has been no determination whether properties held contain economically recoverable ore reserves. The Company jointly conducts business and exploration activities with another publicly listed company, Silver Grail Resources Ltd. ("Silver Grail"). Silver Grail shares office premises and consultants and has common directors. The Company's head office and principal place of business is 2130 Crescent Road, Victoria, BC, Canada.

In the ordinary course of business, the Company sells or options property interests to third parties, accepting as consideration cash and/or securities of the acquiring party. The Company attempts to realize upon the value of securities as opportunities present themselves. The recoverability of valuations assigned to mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the properties, the ability to obtain necessary financing to complete development, and future profitable production or proceeds from disposition.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2016, the Company has no source of recurring revenue, generates negative cash flows from operating activities, and has an accumulated deficit of \$12,056,293. These factors raise significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Basis of Preparation

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board on a going concern basis.

The financial statements have been prepared on a historical cost basis except for available-for-sale financial assets which are measured at fair value as described in Note 2(k)(i). The financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Use of Estimates and Judgments

The preparation of the financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Critical judgments exercised by management in applying accounting policies that have the most significant effect on the amounts presented in these financial statements are as follows:

(i) Economic recoverability and probability of future economic benefits from exploration and evaluation costs

Management has determined that exploratory drilling, exploration evaluation, and related costs incurred which have been capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and metallurgic information, scoping studies, accessible facilities and existing permits.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(b) Use of Estimates and Judgments (continued)

(ii) Impairment of property and equipment and exploration and evaluation assets

Management considers both external and internal sources of information in assessing whether there are any indications that the Company's property and equipment and exploration and evaluation assets are impaired. External sources of information management considers include changes in the market, economic and legal environments in which the Company operates that are not within its control and that affect the recoverable amount of its property and equipment and exploration and evaluation assets. Internal sources of information that management considers include the manner in which property and equipment are being used or are expected to be used and indications of economic performance of the assets.

Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future non-expansory capital expenditures, reductions in exploration potential, and adverse current economic conditions are examples of factors that could result in a write down of the carrying amounts of the Company's property and equipment and exploration and evaluation assets.

(iii) Going concern

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.

Significant assumptions about the future and other sources of estimation uncertainty that management has made in making estimates at the statement of financial position date 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:

(i) Valuation of share-based payments

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect fair value estimates and the Company's net income (loss) and its equity reserves.

(ii) Provisions and contingencies

Due to the nature of the Company's operations, various legal and tax matters are outstanding from time to time. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of the changes in its financial statements on the date such changes occur.

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 and in any future periods affected.

(iii) Valuation of long-term receivable

Application of the factors of impairment to the facts and circumstances of the amounts comprising long-term receivable and due from a related party requires a significant amount of judgement. Should either of these respective amounts be considered impaired, significant judgement is required to determine an estimate of their respective values.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily redeemed to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(d) Marketable Securities

The Company reports investments in marketable equity securities at fair value based on quoted market prices. All investment securities are designated as available-for-sale with unrealized gains and losses included in accumulated other comprehensive income or loss. Unrealized losses that are other than temporary are recognized in the statement of operations. Realized gains and losses are accounted for on the specific identification method.

(e) Property and Equipment

The Company depreciates the cost of property and equipment over their estimated useful lives using the declining balance basis at the following annual rates:

Building	5%
Computer equipment	30%
Field and drilling equipment	20%
Furniture and equipment	20%
Vehicle	30%

(f) Assets Held for Sale

Assets are classified as held for sale when the sale of the asset or disposal group in its present condition is highly probable. A sale is highly probable if management is committed to a plan to sell, is actively locating a buyer at a sales price that is reasonable in relation to the current fair value of the asset or disposal group, and the sale is expected to be completed within a one-year period. Assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell. Assets held for sale are included in current assets.

(g) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, 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 capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are charged to operations.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Substantially all of the Company's exploration activities are conducted jointly with others and, accordingly, the financial statements reflect only the Company's proportionate interest in such activities.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(g) Exploration and Evaluation Expenditures (continued)

Mineral Property Options

The Company does not record any expenditures made by the optionee in its accounts. The Company re-designates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the optionee is credited against costs previously capitalized. Any consideration received in excess of costs previously capitalized is recognized in net income (loss).

Concentrate Sales

Concentrate sales incidental to the exploration of mineral properties are recorded net of production costs as a reduction of capitalized exploration and evaluation costs.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs to sell can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales tax or duty.

Revenue from the sale of concentrate is recognized upon delivery when the risks and rewards of ownership are transferred to the customer and neither continuing managerial involvement nor effective control remains over the goods sold. Revenue is based on quoted market prices of the London Metal Exchange during the quotation period less treatment, refining and smelting charges, and penalties.

Metals contained in bulk concentrate sold to third parties are locked in at the time of sale based on the market price of metals at that time. The Company enters into contracts that provide a provisional payment on delivery based upon provisional assays and quoted metal prices at the time. Revenues are recorded when title passes from the Company to the buyer based on the spot price on date of delivery, and subsequently adjusted to market price based on the date of the final settlement.

(h) Investments

Investments not subject to significant influence are designated as available-for-sale and accounted for at fair value. In limited circumstances, cost may be an appropriate estimate of the fair value of an investment with no quoted price in an active market.

(i) Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there are any indications of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit ("CGU") to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount through an impairment charge to the statement of operations.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(i) Impairment of Non-Financial Assets (continued)

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. When an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of operations.

(j) Reclamation and Remediation Provisions

The Company recognizes a provision for statutory, contractual, constructive or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of mineral properties and equipment. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in mineral properties and equipment. These costs are depreciated using either the unit of production or straight-line method depending on the asset to which the obligation relates.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases and changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

(k) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(k) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the statement of operations. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company's cash is classified as fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the statement of operations. Available-for-sale financial assets are comprised of marketable securities.

Loans and receivables

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

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to the statement of operations in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(k) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

Impairment of financial assets (continued)

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or 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. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through the statement of operations are not reversed through the statement of operations. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable, accrued liabilities, and amount due to a related party.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and stock options are recognized as a deduction from equity, net of any tax effects.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(l) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(m) Flow-through Shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the deferred income tax liability associated with the renounced tax deductions is recognized through the statement of operations with a pro-rata portion of the deferred premium.

(n) Foreign Currency Translation

The functional and reporting currency is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the statement of operations.

(o) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted earnings (loss) per share, whereby all "in-the-money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at December 31, 2016, the Company had 11,467,000 (2015 – 12,537,000) warrants outstanding that were dilutive.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

(p) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that are not included in the statement of operations. The Company's only component of comprehensive income (loss) is unrealized holding gains and losses on available-for-sale marketable securities.

(q) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled, share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The fair value of the options is measured at the grant date using the Black-Scholes option pricing model. The fair value is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are satisfied with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over its respective vesting period. Non-market vesting conditions are considered in making assumptions about the number of awards that are expected to vest. When the options are exercised, any proceeds received are credited to share capital along with the amount reflected in share-based payment reserve.

(r) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these financial statements.

New standard IFRS 9, "Financial Instruments"

New standard IFRS 15, "Revenue from Contracts with Customers"

New standard IFRS 16, "Leases"

Amendments to IFRS 2, "Share-based Payment"

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

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

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

3. Marketable Securities

	2015 Fair value \$	Additions \$	Disposals \$	Impairment \$	Unrealized loss \$	2016 Fair value \$
Marketable securities	36,953	1,502,500	–	–	(742,523)	796,930

	2014 Fair value \$	Additions \$	Disposals \$	Impairment \$	Unrealized gain \$	2015 Fair value \$
Marketable securities	36,683	–	–	(6,960)	7,230	36,953

The Company holds equity securities in publicly traded companies. During the year ended December 31, 2016, the Company recorded an unrealized loss in the amount of \$742,523 (2015 – gain of \$7,230) which is included in accumulated other comprehensive income (loss).

4. Amounts Receivable

	December 31, 2016 \$	December 31, 2015 \$
BC mineral exploration tax credits receivable	133,762	–
GST receivable	37,746	86
	171,508	86

5. Long-term Receivable

Long-term receivable consists of an amount owing from Makena Resources Inc. (“Makena”), which is non-interest bearing, due on demand, and secured by Makena’s interest in certain mineral claims described in Note 8(a)(xvi).

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

6. Property and Equipment

	Land \$	Building \$	Computer equipment \$	Field and drilling equipment \$	Furniture and equipment \$	Vehicle \$	Total \$
Cost:							
Balance, December 31, 2014	171,205	59,096	32,697	385,092	58,392	39,235	745,717
Additions	–	–	644	2,684	–	–	3,328
Transfer	(155,000)	–	–	–	–	–	(155,000)
Disposals	–	–	–	(65,909)	–	–	(65,909)
Impairment	(16,205)	(59,096)	–	–	–	–	(75,301)
Balance, December 31, 2015	–	–	33,341	321,867	58,392	39,235	452,835
Additions	36,000	86,680	1,772	–	5,756	58,229	188,437
Disposals	–	–	–	(203,028)	–	(36,335)	(239,363)
Balance, December 31, 2016	36,000	86,680	35,113	118,839	64,148	61,129	401,909
Accumulated depreciation:							
Balance, December 31, 2014	–	9,695	28,151	252,182	53,210	30,973	374,211
Additions	–	609	1,461	26,850	1,036	2,478	32,434
Disposals	–	–	–	(41,613)	–	–	(41,613)
Impairment	–	(10,304)	–	–	–	–	(10,304)
Balance, December 31, 2015	–	–	29,612	237,419	54,246	33,451	354,728
Additions	–	2,167	1,385	12,735	1,405	2,178	19,870
Disposals	–	–	–	(174,347)	–	(32,667)	(207,014)
Balance, December 31, 2016	–	2,167	30,997	75,807	55,651	2,962	167,584
Carrying amounts:							
As at December 31, 2015	–	–	3,729	84,448	4,146	5,784	98,107
As at December 31, 2016	36,000	84,513	4,116	43,032	8,497	58,167	234,325

7. Asset Held for Sale

	Land \$
Cost:	155,000
Accumulated depreciation	–
Balance, December 31, 2015	155,000
Less: Proceeds received	(155,000)
Balance, December 31, 2016	–

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

8. Exploration and Evaluation Assets

Exploration and evaluation assets consist of:

	Year ended December 31, 2016 \$	Year ended December 31, 2015 \$
Balance, beginning of year	3,209,659	3,383,544
Depreciation	12,735	26,850
Assays	47,405	964
Drilling	305,151	–
Engineering (Note 10)	29,700	25,000
Equipment rental, safety personnel, and supplies	45,224	–
Geological and geophysical (Note 10)	75,547	17,429
Helicopters	177,770	5,828
Prospecting, staking, and filing fees	5,045	16,019
Travel, accommodation, and meals	39,152	4,622
	737,729	96,712
Claims acquired	3,037	2,459
BC mineral exploration tax credits	(133,762)	–
Property option and cost recoveries received	(685,221)	(273,056)
	(815,946)	(270,597)
Balance, end of year	3,131,442	3,209,659

(a) Skeena Mining Division, British Columbia

The Company owns or originally owned a 100% interest in the following properties in the Skeena Mining Division.

(i) Treaty Creek Property

On April 4, 2007, the Company entered into an option agreement with American Creek Resources Ltd. (“American Creek”) whereby American Creek had the right to earn a 51% interest in the Company’s Treaty Creek Property. Under the terms of the option agreement, American Creek earned a 51% interest in the Treaty Creek Property by issuing 100,000 shares and incurring exploration expenditures on the Treaty Creek Property aggregating \$5,000,000.

The Treaty Creek Property was the subject of the legal proceedings described under Note 15(a).

St. Andrew Goldfields Ltd. has a 2% net smelter return royalty (“NSR”) on 24 of the 44 mineral claims included in the Treaty Creek property. A buy-back of 1% of the NSR for \$1,000,000 is exercisable at any time until six months has passed from the commencement of commercial production.

On May 10, 2016, the Company entered into a joint venture agreement with Tudor Gold Corp. (“Tudor Gold”) and American Creek with respect to the Treaty Creek property. Pursuant to this joint venture agreement, Tudor Gold will issue 500,000 common shares in the capital of Tudor Gold to each of American Creek and the Company to purchase American Creek’s 31% interest and the Company’s 29% interest, respectively, in the property (received). Tudor Gold must also incur \$1,000,000 in exploration expenditures during the year ended December 31, 2016 (incurred).

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

8. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(i) Treaty Creek Property (continued)

Thereafter, Tudor Gold will hold an immediate 60% interest, and the Company and American Creek will each hold an immediate 20% interest in the joint venture. Both the Company and American Creek's interests are fully carried during the exploration period until a production notice is given. Once a production notice has been received, the Company and American Creek will each be responsible for 20% of the costs going forward under the terms of the joint venture agreement.

The Company retains a 1-2% NSR on 49% of the property with no buyback.

(ii) Bonsai Property

The Company owns a 100% interest in the Bonsai property located in the Skeena Mining Division.

(iii) Leduc Silver Property

The Company owns a 100% interest in the Leduc Silver property located in the Skeena Mining Division.

(iv) Stamp Claims

On March 16, 2010, the Company entered into an option agreement with Decade Resources Ltd. ("Decade") whereby Decade can earn a 50% interest in the Stamp claims, located in the Stewart region of northwestern British Columbia, by paying the Company a total of \$110,000 and incurring \$1,500,000 in mineral exploration expenditures over four years as follows:

Cash consideration to be paid to the Company:

- \$20,000 to be paid on execution of the agreement (received);
- a further \$25,000 to be paid on or before March 16, 2011 (received)
- a further \$30,000 to be paid on or before March 16, 2012 (received \$10,000);
- a further \$35,000 to be paid on or before March 16, 2013 (extended to March 16, 2016).

Exploration expenditures to be incurred by Decade:

- \$200,000 before March 16, 2011 (extended to March 16, 2016);
- \$500,000 in aggregate before March 16, 2012 (extended to March 16, 2016);
- \$900,000 in aggregate before March 16, 2013 (extended to March 16, 2017); and
- \$1,500,000 in aggregate before March 16, 2015 (extended to March 16, 2018).

Subject to Decade duly exercising the first option above, Decade will be granted another option to earn an additional 20% interest in the property by performing and paying for such additional exploration work, engineering studies, and reports as may be necessary in order to deliver a feasibility study to the Company. Decade has 60 days from the date it exercises the first option to elect to earn the additional interest pursuant to the terms of the second option.

On April 30, 2015, the Company received a notice of termination of the option agreement from Decade.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

8. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(v) Four J's Claims

On August 9, 2010 and as amended on August 4, 2016, the Company entered into an option agreement with Rotation Minerals Ltd. ("Rotation") whereby Rotation can earn an undivided 50% interest in the Four J's claims, by paying the Company a total of \$180,000 and incurring \$1,800,000 in mineral exploration expenditures as follows:

Cash consideration to be paid to the Company:

- \$20,000 to be paid within 5 business days on execution of the agreement (received);
- a further \$25,000 to be paid on or before August 9, 2011 (received);
- a further \$30,000 to be paid on or before August 9, 2012 (received);
- a further \$15,000 to be paid on or before August 9, 2016 (received);
- a further \$20,000 to be paid on or before August 9, 2017;
- a further \$30,000 to be paid on or before August 9, 2018; and
- a further \$40,000 to be paid on or before August 9, 2019.

Exploration expenditures to be incurred by Rotation:

- \$397,716 on or before September 30, 2016 (incurred);
- \$497,716 in aggregate on or before December 31, 2016 (incurred);
- \$697,716 in aggregate on or before December 31, 2017;
- \$997,716 in aggregate on or before December 31, 2018; and
- \$1,800,000 in aggregate on or before December 31, 2019.

Subject to Rotation duly exercising the first option above, Rotation will be granted another option to earn an additional 20% interest in the property by performing and paying for such additional exploration work, engineering studies, and reports as may be necessary in order to deliver a feasibility study to the Company. Rotation has 60 days from the date it exercises the first option to elect to earn the additional interest pursuant to the terms of the second option.

(vi) IC2 Claim

On August 5, 2010, the Company paid \$5,000 and issued 40,000 shares to acquire an undivided 100% interest in this mineral claim. The claim is subject to a 1.5% NSR capped at \$500,000. The IC2 Claim was included in the claims optioned to Pretium Resources on July 14, 2015. Refer to Note 8(a)(xv).

(vii) Lord Nelson Claims

On October 26, 2010 and as amended November 25, 2015, the Company entered into an agreement to option out its Lord Nelson claims to Geofine Exploration Consultants Ltd. ("GFX"). On January 12, 2016, GFX entered into a Notice of Assignment with Millrock Resources Inc. ("MRO"), whereby GFX assigned to MRO all of GFX's right, obligation, interest and liabilities as Optionee under the option agreement with the Company. In order to earn an undivided 100% interest in the property, MRO must pay \$210,000 or \$185,000 and a common share issuance with a fair value of \$25,000 and incur \$1,200,000 in exploration expenditures over the five year term of the option as follows:

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

8. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(vii) Lord Nelson Claims (continued)

Cash consideration to be paid to the Company:

- \$15,000 to be paid on execution of the agreement (received);
- a further \$25,000 to be paid (or the issuance of shares with a fair value of \$25,000) on or before November 1, 2011 (received);
- a further \$35,000 to be paid on or before November 1, 2012 (received);
- a further \$40,000 to be paid on or before November 1, 2013 (\$30,000 received with \$10,000 extended to November 1, 2017);
- a further \$45,000 to be paid on or before November 1, 2014 (\$10,000 extended to November 1, 2017 and \$35,000 extended to November 1, 2018); and
- a further \$50,000 to be paid on or before November 1, 2015 (extended to November 1, 2019).

Notwithstanding the above, each of the option payment requirements shall be reduced by a \$5,000 credit each year that GFX stores the Company's core at its facility.

Exploration expenditures to be incurred by MRO:

- \$100,000 before November 1, 2011 (incurred);
- an additional \$200,000 before November 1, 2012 (incurred);
- an additional \$200,000 before November 1, 2013 (extended to November 1, 2019);
- an additional \$300,000 before November 1, 2014 (extended to November 1, 2019); and
- an additional \$400,000 before November 1, 2019.

The Company retains an NSR of 2%. An advance royalty of \$50,000 a year, indexed to inflation, is payable to the Company beginning in 2016 (extended to November 1, 2020).

(viii) High South Claims

On April 11, 2011, the Company issued 600,000 common shares with a fair value of \$342,000 pursuant to an agreement to purchase 12 mineral claims situated in the High South region. These claims are subject to a 2% net smelter return.

(ix) Fairweather Property

On December 15, 2015, the Company entered into an option agreement with Tudor Holdings Ltd. ("Tudor") whereby Tudor has the right to earn a 100% interest in the Company's Fairweather property located in the Skeena Mining Division. On May 24, 2016, Tudor assigned its right, obligation, interest and liabilities as Optionee under the option agreement with the Company to Tudor Gold Corp. ("Tudor Gold"). The property consists of six claims. On December 20, 2016, the Company entered into an amending agreement with Tudor Gold. To earn the 100% interest, Tudor Gold must pay a total of \$350,000 and issue 700,000 shares in the capital of Tudor Gold to the Company over five years as follows:

Cash consideration to be paid:

- \$30,000 to be paid upon signing of the agreement (received);
- a further \$20,000 to be paid on or before December 20, 2016 (received);
- a further \$50,000 to be paid on or before December 15, 2017;
- a further \$60,000 to be paid on or before December 15, 2018;
- a further \$70,000 to be paid on or before December 15, 2019; and
- a further \$120,000 to be paid on or before December 15, 2020.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

8. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(ix) Fairweather Property (continued)

Tudor has agreed to use its commercially reasonable efforts to sell the claims in the agreement to Tudor Gold at cost. The shares of Tudor Gold will then be issued to the Company as follows:

Share consideration to be paid:

- 250,000 shares of Tudor Gold to be issued within five days of Tudor Gold receiving regulatory approval for the sale of the claims from Tudor to Tudor Gold (received);
- a further 50,000 shares of Tudor Gold to be issued on or before December 15, 2016 (received);
- a further 50,000 shares of Tudor Gold to be issued on or before December 15, 2017;
- a further 50,000 shares of Tudor Gold to be issued on or before December 15, 2018;
- a further 50,000 shares of Tudor Gold to be issued on or before December 15, 2019; and
- a further 250,000 shares of Tudor Gold to be issued on or before December 15, 2020.

The Company retains an NSR of 1.0% to 2.0% with no buyback.

(x) Tennyson Property, British Columbia

The Company owns a 100% interest in the Tennyson gold-copper property located in the Skeena Mining Division.

(xi) Delta Claims

On March 1, 2016, the Company entered into an option agreement with Tudor whereby Tudor has the right to earn a 100% interest in the Company's Delta property located in the Skeena Mining Division. On May 24, 2016, Tudor assigned its right, obligation, interest and liabilities as Optionee under the option agreement with the Company to Tudor Gold. The property consists of 10 claims. To earn the 100% interest, Tudor must pay a total of \$1,000,000 to the Company over four years as follows:

Cash consideration to be paid:

- \$100,000 to be paid upon signing of the agreement (received);
- a further \$100,000 to be paid on or before March 1, 2017 (\$25,000 received and \$75,000 extended to May 15, 2017);
- a further \$100,000 to be paid on or before March 1, 2018;
- a further \$100,000 to be paid on or before March 1, 2019; and
- a further \$600,000 to be paid on or before March 1, 2020.

The Company retains an NSR of 1.5 to 2.5% with no buyback.

(xii) High North Claims

On March 1, 2016, the Company entered into an option agreement with Tudor whereby Tudor has the right to earn a 100% interest in the Company's High North property located in the Skeena Mining Division. On May 24, 2016, Tudor assigned its right, obligation, interest and liabilities as Optionee under the option agreement with the Company to Tudor Gold. The property consists of 5 claims. To earn the 100% interest, Tudor must pay a total of \$1,000,000 to the Company over four years as follows:

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

8. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(xii) High North Claims (continued)

Cash consideration to be paid:

- \$100,000 to be paid upon signing of the agreement (received);
- a further \$100,000 to be paid on or before March 1, 2017 (\$25,000 received and \$75,000 extended to May 15, 2017);
- a further \$100,000 to be paid on or before March 1, 2018;
- a further \$100,000 to be paid on or before March 1, 2019; and
- a further \$600,000 to be paid on or before March 1, 2020.

The Company retains an NSR of 2.5% with no buyback.

(xiii) Orion Claims

On June 1, 2016, the Company entered into an option agreement with Tudor Gold whereby Tudor Gold has the right to earn a 100% interest in the Company's Orion property located in the Skeena Mining Division. The property consists of 8 claims. To earn the 100% interest, Tudor Gold must pay a total of \$700,000 and issue 700,000 shares to the Company over five years as follows:

Cash consideration to be paid:

- \$50,000 to be paid upon signing of the agreement (received);
- a further \$50,000 to be paid on or before June 1, 2017;
- a further \$50,000 to be paid on or before June 1, 2018;
- a further \$50,000 to be paid on or before June 1, 2019;
- a further \$50,000 to be paid on or before June 1, 2020; and
- a further \$450,000 to be paid on or before June 1, 2021.

Share consideration to be paid:

- 250,000 shares to be issued within five days of Tudor Gold receiving regulatory approval for the sale of the claims from Tudor to Tudor Gold (received);
- a further 50,000 shares of Tudor Gold to be issued on or before June 1, 2017;
- a further 50,000 shares of Tudor Gold to be issued on or before June 1, 2018;
- a further 50,000 shares of Tudor Gold to be issued on or before June 1, 2019;
- a further 50,000 shares of Tudor Gold to be issued on or before June 1, 2020; and
- a further 250,000 shares of Tudor Gold to be issued on or before June 1, 2021.

The Company retains an NSR of 2.5% with no buyback.

(xiv) Del Norte and Midas Properties

On September 28, 2005, the Company optioned the Del Norte Property and adjoining Midas Property to Sabina Resources Limited ("Sabina"), which later changed its name to Sabina Silver Corporation. The Del Norte property consists of 23 claims representing 8,586 hectares. The Midas property is jointly owned with Silver Grail and consists of 7 claims.

Under the terms of the option agreement, Sabina earned 50% interest in the properties by paying a total of \$240,000 and incurring exploration expenditures on the Del Norte property aggregating \$2,500,000.

Sabina have the right to acquire, on 60 days notice to the Company, an additional 15% interest in the properties by completing a feasibility study in relation to the properties. The parties would then proceed on a joint venture basis.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

8. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(xiv) Del Norte and Midas Properties (continued)

Silver Grail, which currently owns the Midas Property jointly with the Company, retains certain participation rights.

On July 16, 2014, the Company issued 100,000 shares to Sabina pursuant to the purchase and sale agreement with Sabina to acquire Sabina's 50% interest in the Del Norte and Midas properties. The Company owns a 100% interest in the Del Norte Property and a 75% interest in the Midas Property.

(xv) King Tut, Tuck, and Silver Crown West Claims

On July 14, 2015 and as amended on April 21, 2016, the Company entered into an option agreement with Pretium Resources Inc. ("Pretium") whereby Pretium has the right to earn a 100% interest in the Company's King Tut, Tuck, and Silver Crown West properties located in the Skeena Mining Division. The King Tut and Tuck properties are 100% owned by the Company while the Silver Crown West properties are jointly owned by the Company and Silver Grail. All three properties consist of 18 claims. To earn the 100% interest, Pretium must pay a total of \$1,800,000 to the Company over four years as follows:

Cash consideration to be paid:

- \$100,000 to be paid upon signing of the agreement (received);
- a further \$150,000 to be paid on or before August 15, 2015, after Pretium has obtained the approval of its Board of Directors to the agreement (received);
- a further \$250,000 to be paid on or before January 14, 2016 (received);
- a further \$250,000 to be paid on or before July 14, 2016 (received);
- a further \$250,000 to be paid on or before July 14, 2017;
- a further \$400,000 to be paid on or before July 14, 2018; and
- a further \$400,000 to be paid on or before July 14, 2019.

The Company retains an NSR of 2% with no buyback.

Concurrently, the Company and Silver Grail entered into a letter agreement with regards to the option agreement between Pretium and the Company. As the Silver Crown West property is jointly owned by the Company and Silver Grail, as consideration, \$50,000 of the option proceeds are to be applied against any outstanding debt owed from Silver Grail to the Company (the "Debt"). Silver Grail retains one-half of any NSR payable by Pretium to the Company in regards to mineral production from the Silver Crown West property. If during this process the debt has been repaid, then Silver Grail is entitled to its share of the option proceeds and NSR in cash payments.

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

8. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

The Company jointly owns or originally jointly owned the following properties in the Skeena Mining Division with Silver Grail.

(xvi) Clone Property

On November 28, 2005, the Company and Silver Grail entered into an option agreement with Makena Resources Inc. ("Makena") whereby Makena has the right to earn a 50% interest in Silver Grail's and the Company's jointly owned Clone property, then comprised of 9 claims. An additional 10 claims were added to the property by staking in 2006.

Under the terms of the option agreement, Makena earned 50% interest in the properties by paying a total of \$120,000 cash consideration and incurring exploration expenditures on the Clone property aggregating \$1,800,000.

(xvii) Konkin Silver Property

On April 20, 2004, the Company and Silver Grail purchased a 100% interest in 2 claims representing eight units situated within the boundaries of the Konkin Silver property. In fiscal 2004, the Company issued 50,000 of its shares at a fair value of \$13,750 and paid \$10,000 to the vendor for its 50% share of the claims. The vendor retains a 2% net smelter royalty, one-half of which can be purchased for \$1,000,000 until eighteen months following the commencement of commercial production.

(xviii) Tenure #508269

The Company owns a 50% interest in 1 claim representing 612 hectares situated in the Skeena Mining Division known as Tenure #508269. The remaining 50% interest is owned by Silver Grail.

On December 1, 2006, the Company and Silver Grail entered into an option agreement with Decade whereby Decade has the right to earn 100% interest in the property by issuing a total of 300,000 of its shares, paying a total of \$100,000 cash, and incurring exploration expenditures on the Property aggregating \$1,500,000 as follows:

Shares in the common stock of Decade to be issued equally to the Company and Silver Grail:

- 100,000 shares to be issued on the execution of the agreement (received); and
- a further 200,000 shares to be issued on or before November 17, 2010 (received).

Cash consideration to be paid equally to the Company and Silver Grail:

- \$10,000 to be paid on execution of the agreement (received);
- a further \$15,000 to be paid on or before November 17, 2007 (received);
- a further \$20,000 to be paid on or before November 17, 2008 (received);
- a further \$25,000 to be paid on or before November 17, 2009 (received); and
- a further \$30,000 to be paid on or before November 17, 2010 (received).

Exploration expenditures to be incurred by Decade:

- \$100,000 before December 31, 2007 (incurred);
- \$300,000 in aggregate before December 31, 2008 (incurred);
- \$600,000 in aggregate before December 31, 2009 (incurred);
- \$1,000,000 in aggregate before December 31, 2010 (incurred); and
- \$1,500,000 in aggregate before December 31, 2011 (extended to December 31, 2017).

TEUTON RESOURCES CORP.

Notes to the financial statements

For the years ended December 31, 2016 and 2015

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8. Exploration and Evaluation Assets (continued)

(a) Skeena Mining Division, British Columbia (continued)

(ix) Bay Silver Claims

On February 21, 2011, the Company and Silver Grail entered into an option agreement with Decade whereby Decade has the right to earn a 100% interest in Silver Grail's and the Company's jointly owned Bay Silver property by paying a total of \$120,000 to the Company and Silver Grail over a four year term of the option as follows:

Cash consideration to be paid to the Company:

- \$7,500 to be paid on execution of the agreement (received);
- a further \$15,000 to be paid on or before February 21, 2012 (received);
- a further \$22,500 to be paid on or before February 21, 2013 (extended to February 21, 2016);
- a further \$30,000 to be paid on or before February 21, 2015 (extended to February 21, 2016); and
- a further \$45,000 to be paid on or before February 21, 2015 (extended to February 21, 2016).

The Company and Silver Grail retain a 2% NSR. An annual royalty of \$25,000, indexed to inflation, is payable to the Company and Silver Grail upon completion of the option payments.

On April 30, 2015, the Company received a notice of termination of the option agreement from Decade.

(b) Roman Property, New Westminster Mining Division, British Columbia

The Company owns a 50% interest in 8 claims located in the New Westminster Mining Division. The remaining 50% interest is owned by Silver Grail.

(c) Yellow Chris Property, Liard Mining Division, British Columbia

The Company owns a 100% interest in the Yellow Chris South Claims located in the Liard Mining Division.

(d) Reclamation Bonds

Reclamation bonds are amounts pledged to the province of British Columbia for property reclamation. The bonds mature and roll over each year until the Company is released from its obligations.

9. Accounts Payable and Accrued Liabilities

	December 31, 2016 \$	December 31, 2015 \$
Trade payables	95,101	1,613,954
Accrued expenses	32,477	23,658
	<u>127,578</u>	<u>1,637,612</u>

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10. Related Party Transactions and Balances

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management personnel include the Company's directors and senior officers.

The aggregate remuneration of the Company's key management consists of:

	2016	2015
Salary	\$ 111,600	\$ 72,000
Geological, engineering, rent and consulting fees	63,142	66,829
Share-based compensation	-	35,557
Total	\$ 174,742	\$ 174,386

- (a) For the year ended December 31, 2016, the Company incurred salary of \$111,600 (2015 - \$72,000), office, rent, and telephone expenses of \$13,800 (2015 - \$12,000), and engineering fees of \$29,700 (2015 - \$nil) to the President of the Company. For the year ended December 31, 2016, the Company incurred engineering fees of \$nil (2015 - \$25,000) and consulting fees of \$nil (2015 - \$18,400) to a company controlled by the President of the Company.
- (b) For the year ended December 31, 2016, the Company incurred geological fees of \$19,642 (2015 - \$11,429) to a director of the Company that were capitalized to exploration and evaluation assets.
- (c) For the year ended December 31, 2016, the Company incurred share-based compensation of \$nil (2015 - \$35,557) to directors of the Company.
- (d) For the year ended December 31, 2016, the Company incurred consulting fees of \$12,400 (2015 - \$21,000) and exploration fees that were capitalized to exploration and evaluation assets of \$400 (2015 - \$6,000) to a person related to the President of the Company.
- (e) As at December 31, 2016, included in accounts payable and accrued liabilities is \$nil (2015 - \$10,000) due to a person related to the President of the Company. This amount is non-interest bearing, unsecured, and due on demand.
- (f) As at December 31, 2016, the amount of \$44,676 (2015 - \$7,669) was owed to the President of the Company, which is non-interest bearing, unsecured and due on demand.
- (g) The Company carries on joint exploration activity with Silver Grail, a company having directors in common with the Company. As at December 31, 2016, the Company owns 207,932 common shares in Silver Grail with a fair value of \$12,476 (2015 - \$4,159). As at December 31, 2016, the amount of \$287,025 (2015 - \$354,338) was owed from Silver Grail, which is non-interest bearing, secured by certain mineral properties owned jointly with the Company, and due on demand.
- (h) During the year ended December 31, 2015, the Company received \$17,500 in loans from a Company controlled by the President of the Company. The loans were non-interest bearing, unsecured, and due on demand. The loans were fully repaid on December 1, 2015.

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11. Share Capital

The authorized share capital of the Company consists of 100,000,000 of common shares without par value.

Share transactions for the year ended December 31, 2016:

- (a) On April 15, 2016, the Company issued 2,500,000 units at \$0.05 per unit for proceeds of \$125,000, of which \$17,500 was recorded as share subscriptions received as at December 31, 2015. Included in this issuance were 1,110,000 units for proceeds of \$55,500 issued to immediate family members of the President of the Company. Each unit consisted of one common share and one common share purchase warrant. Each share purchase warrant is exercisable at \$0.08 per share expiring on April 15, 2018.
- (b) During the year ended December 31, 2016, the Company issued 3,570,000 common shares for proceeds of \$239,450 pursuant to the exercise of share purchase warrants, of which 200,000 common shares for proceeds of \$13,000 were issued to a director of the Company.
- (c) As at December 31, 2016, the Company had received \$13,500 in share subscription proceeds pursuant to the exercise of share purchase warrants.

Share transactions for the year ended December 31, 2015:

- (d) On April 21, 2015, the Company issued 9,000,000 units at \$0.06 per unit for proceeds of \$540,000. Of this amount, 1,000,000 units for total proceeds of \$60,000 were issued to the President of the Company and his immediate family and 200,000 units for proceeds of \$12,000 were issued to a director of the Company. Each unit consisted of one common share and one common share purchase warrant. Each share purchase warrant is exercisable at \$0.065 per share expiring on April 21, 2018. In connection with this financing, the Company paid \$14,880 and issued 248,000 common share purchase warrants with a fair value of \$16,072 as finders' fees. The share purchase warrants are exercisable at \$0.065 per share expiring on April 21, 2018. Using the residual method, a value of \$Nil was allocated to the value of the warrants.
- (e) On July 31, 2015, the Company issued 1,030,000 units at \$0.06 per unit for proceeds of \$61,800. Each unit consisted of one common share and one common share purchase warrant. Each share purchase warrant is exercisable at \$0.07 per share expiring on July 31, 2018. Using the residual method, a value of \$Nil was allocated to the value of the warrants.
- (f) As at December 31, 2015, the Company had received \$17,500 in share subscriptions (Note 11(a)).

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12. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of warrants	Weighted average exercise price \$
Balance, December 31, 2014	3,600,000	0.49
Issued	10,278,000	0.07
Expired	(1,341,000)	0.63
Balance, December 31, 2015	12,537,000	0.12
Issued	2,500,000	0.08
Exercised	(3,570,000)	0.07
Balance, December 31, 2016	11,467,000	0.16

As at December 31, 2016, the following share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
1,800,000	0.50	June 29, 2017
459,000	0.75	August 29, 2017
2,200,000	0.08	April 15, 2018
6,558,000	0.065	April 21, 2018
450,000	0.07	July 31, 2018
<u>11,467,000</u>		

13. Stock Options

The Company has adopted a stock option plan pursuant to which options may be granted to directors, officers, employees and consultants of the Company to a maximum of 10% of the issued and outstanding common shares at the time of the grant. The exercise price of each option shall not be less than the market price of the Company's stock on the date of the grant. Options granted under the plan have a maximum term of 10 years and vest as determined by the board of directors, except for options granted to consultants performing investor relations activities, which vest as to 25% three months from the grant date and 25% every three months thereafter, such that the options are 100% vested 12 months after the grant date.

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price \$
Outstanding, December 31, 2014	932,000	1.31
Cancelled	(526,000)	(1.21)
Expired	(361,000)	(1.54)
Forfeited	(45,000)	(0.65)
Outstanding, December 31, 2015 and 2016	—	—

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14. Financial Instruments and Risks

(a) Fair Values

Assets and liabilities measured at fair value on a recurring basis are presented on the Company's statement of financial position as of December 31, 2016 as follows:

	Fair Value Measurements Using			Balance as at December 31, 2016 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Assets:				
Cash	98,622	–	–	98,622
Marketable securities	796,930	–	–	796,930
Total assets measured at fair value	895,552	–	–	895,552

The fair values of other financial instruments, which include amounts receivable, amounts due to and from related parties, and accounts payable and accrued liabilities, approximate their carrying values due to the relatively short-term maturity of these instruments.

The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – Significant unobservable (no market data available) inputs which are supported by little or no market activity.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, marketable securities, amounts receivable, and long-term receivable. The Company limits its exposure to credit loss by placing its cash and marketable securities with high credit quality financial institutions. Deposits held with these institutions may exceed the amount of insurance provided on such deposits. Amounts receivable consists of BC mineral exploration tax credits and GST receivable due from the Government of Canada. Long-term receivable consists of amounts owing from Makena Resources Inc., the optionee on the Company's jointly owned Clone Property (Note 8(a)(xvi)). The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate

The Company is not exposed to any significant foreign exchange risk.

TEUTON RESOURCES CORP.

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14. Financial Instruments and Risks (continued)

(d) Interest Rate Risk

The Company is not exposed to any significant interest rate risk.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

All of the Company's financial liabilities have maturities of one year or less:

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years	Within 3 years
<i>As at December 31, 2016</i>	\$	\$	\$	\$	\$
Accounts payable	95,101	(95,101)	(95,101)	–	–
Due to related party	44,676	(44,676)	(44,676)	–	–
Total	139,777	(139,777)	(139,777)	–	–

	Carrying Amount	Contractual Cash Flows	Within 1 year	Within 2 years	Within 3 years
<i>As at December 31, 2015</i>	\$	\$	\$	\$	\$
Accounts payable	1,613,954	(1,613,954)	(1,613,954)	–	–
Due to related party	7,669	(7,669)	(7,669)	–	–
Total	1,621,623	(1,621,623)	(1,621,623)	–	–

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

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15. Legal Proceedings

- (a) On December 2, 2010, the Company was served with a Notice of Civil Litigation by American Creek. American Creek made a claim against the Company for numerous items of relief primarily being a declaration that American Creek has performed its obligations with respect to an option agreement entered into on April 4, 2007, and amended on September 11, 2007 (Note 8(a)(i)), a declaration of trust, a declaration of specific performance, damages, etc. The Company filed a counterclaim seeking a declaration that American Creek is in breach of the terms of those agreements and a further declaration that American Creek has no interest in the mineral claims to which the agreements relate. The Company also counterclaimed against American Creek for damages, interest and costs. On April 15, 2014, the Supreme Court of BC found in favour of American Creek and the counterclaim was dismissed. The Court held that American Creek is to hold an undivided 49% interest in these mineral claims in trust for the Company. The Company appealed this decision. On July 21, 2014, the Company agreed to pay \$378,000 for disbursements to American Creek. Of this amount, \$300,000 was paid on September 2, 2014 as an advance payment against costs. On January 19, 2014, the Court directed that the Company's remaining share of the party-and-party costs and disbursements, after the payment of \$300,000 made on September 2, 2014, is assessed at \$321,712. On November 30, 2014, American Creek was awarded special costs. On January 16, 2015, the Company filed a motion for a Stay of Execution on the costs payment which was denied on February 2, 2015. On January 24, 2015, American Creek began proceedings resulting in a Bailiff of the Supreme Court of BC seizing all of the mineral tenures registered to the Company at the Mineral Titles Branch in Vancouver, BC.

The Company's bank account was also garnished, with any monies collected being paid into court. On March 27, 2015, the Company made the payment for the remaining \$321,712 plus associated bailiff charges, and as a result all mineral tenures registered to the Company were returned and the garnish of the Company's bank account was removed. On April 27, 2015, the Company received notice that its appeal was denied by the Court of Appeal. On June 2, 2015, the Company agreed to pay \$47,500 to American Creek by August 31, 2015 in satisfaction of costs associated with the appeal. On June 5, 2015, a Bailiff of the Supreme Court of BC seized all of the mineral tenures registered to the Company at the Mineral Titles Branch in Vancouver, BC due to the outstanding balance of \$119,253 for the special costs, which was due on June 1, 2015. On July 14, 2015, the Company and American Creek came to an agreement that an additional \$70,000 would be payable in special costs and due on August 31, 2015. The amount would increase to \$85,000 if unpaid by August 31, 2015. On July 20, 2015, the Company made a payment of \$143,028 for the Treaty Creek litigation. Of this amount, \$119,253 relates to the payment of the remaining balance for the special costs and \$23,775 was applied against the outstanding balance for costs associated with the appeal of the Treaty Creek litigation which was due on August 31, 2015. As a result, all the seized mineral tenures were returned to the Company. On August 27, 2015, the Company made a payment of \$117,500 to American Creek, which was applied against the legal claims provision. Of this amount, \$47,500 relates to costs associated with the appeal of the Treaty Creek litigation and \$70,000 relates to special costs.

As at December 31, 2015, the Treaty Creek litigation was fully settled and the Company has no further amount owing relating to the Treaty Creek litigation.

- (b) On November 27, 2012, the Company was served with an Amended Statement of Claim by American Creek. American Creek has made a claim against the Company and others involved with the Company alleging, among other matters, the posting of defamatory comments and intentionally interfering with their economic relations. The plaintiff seeks damages of more than \$135,000,000. The Company believes that this lawsuit is without merit and will vigorously defend itself.

On May 10, 2016, American Creek and the Company entered into a settlement agreement whereby both parties agreed to discontinue the defamation litigation.

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16. Segmented Information

The Company operates in one industry and geographic segment, the mineral resource industry with all current exploration activities conducted in Canada.

17. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of shareholders' equity.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2015.

18. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	Year ended December 31, 2016 \$	Year ended December 31, 2015 \$
Canadian statutory income tax rate	26%	26%
Income tax recovery (provision) at statutory rate	(699,014)	163,376
Tax effect of:		
Permanent differences and other	209,123	(20,215)
Expiry of non-capital loss	—	(15,727)
Change in unrecognized deferred income tax assets	489,891	(127,434)
Income tax recovery	—	—

The significant components of deferred income tax assets and liabilities are as follows:

	December 31, 2016 \$	December 31, 2015 \$
Deferred income tax assets		
Capital losses carried forward	101,844	101,844
Non-capital losses carried forward	1,242,834	1,519,491
Marketable securities	283,982	90,925
Investment tax credit	220,498	220,498
Property and equipment	44,046	42,546
Resource pools	(219,015)	186,878
Share issuance costs	2,712	4,610
Total gross deferred income tax assets	1,676,901	2,166,792
Unrecognized deferred income tax assets	(1,676,901)	(2,166,792)
Net deferred income tax assets	—	—

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18. Income Taxes (continued)

As at December 31, 2016, the Company has non-capital losses carried forward of \$4,780,131 which are available to offset future years' taxable income. These losses expire as follows:

	\$
2031	303,240
2032	1,101,381
2033	937,434
2034	1,530,081
2035	623,572
2036	284,423
	<hr/> 4,780,131

19. Non-cash Investing and Financing Activities

	Year ended December 31, 2016 \$	Year ended December 31, 2015 \$
Acquisition of property and equipment included in amounts due to a related party	58,229	–
Depreciation of property and equipment included in exploration and evaluation assets	12,735	26,850
Fair value of marketable securities received as mineral property option payments	1,502,500	–
Proceeds from sale of assets held for sale deducted from accounts payable	1,847	–
Proceeds from sale of property and equipment added to prepaid expenses	49,807	–
Proceeds from sale of property and equipment deducted from accounts payable	50,193	–

20. Commitment

On July 15, 2016, the Company entered into an investor relations agreement with AviTerra Consulting Inc. ("AviTerra") for a term of one year. In consideration for the services provided, the Company agreed to pay AviTerra \$5,000 per month and grant incentive stock options to purchase up to 500,000 common shares of the Company. The stock options will vest according to the Company's stock option plan, with 125,000 stock options vesting every three months after the grant date. The granting of these stock options is subject to TSX Venture Exchange approval. As at April 28, 2017 these stock options have not been issued to AviTerra.