IDM MINING

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED OCTOBER 31, 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
IDM Mining Ltd.

We have audited the accompanying consolidated financial statements of IDM Mining Ltd., which comprise the consolidated statements of financial position as at October 31, 2016 and 2015, and the consolidated statements of income/(loss) and comprehensive income/(loss), cash flows, and changes in equity/(deficit) 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, these consolidated financial statements present fairly, in all material respects, the financial position of IDM Mining Ltd. as at October 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

February 23, 2017

IDM MINING LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

	October 31, 2016	October 31, 2015
ASSETS		
Current		
Cash	$ 9,871,063	$ 508,253
Short-term investments	8,625	8,625
Receivables	670,867	35,483
Prepaid expenses	246,044	92,073
	10,796,599	644,434
Land use deposits (Note 4)	85,400	50,000
Equipment (Note 5)	313,137	5,341
Exploration and evaluation assets (Note 6)	19,955,265	6,702,072
	$ 31,150,401	$ 7,401,847
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 3,020,843	$ 324,952
Mexican mining taxes and other payables (Note 6)	832,003	1,712,420
Flow-through premium liability (Note 8)	73,814	161,759
	3,926,660	2,199,131
Shareholders' Equity		
Share capital (Note 8)	66,290,507	44,640,462
Reserves (Note 8)	9,166,812	7,222,291
Deficit	(48,233,578)	(46,660,037)
	27,223,741	5,202,716
	$ 31,150,401	$ 7,401,847

Nature and continuance of operations (Note 1)
Subsequent events (Note 15)

Approved and authorized by the Board on February 23, 2017:

"Robert McLeod" Director *"Michael McPhie"* Director

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

IDM MINING LTD.
CONSOLIDATED STATEMENTS OF INCOME/(LOSS) AND COMPREHENSIVE INCOME/(LOSS)
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED OCTOBER 31,

	2016	2015
GENERAL EXPENSES		
Consulting fees	$ 67,758	$ 18,227
Depreciation (Note 5)	5,341	3,261
Director fees (Note 9)	80,000	23,000
Foreign exchange loss (gain)	(89,811)	(80,760)
Investor relations and shareholder communication	384,161	248,624
Management fees (Note 9)	382,840	261,629
Office and miscellaneous	209,717	121,917
Professional fees (Note 9)	352,571	100,981
Share-based payments (Note 8)	1,568,486	353,287
Transfer agent and filing fees	91,125	92,953
Travel and trade shows	123,670	22,209
Loss before other income (expenses)	(3,175,858)	(1,165,328)
OTHER INCOME (EXPENSES)		
Recognition of flow-through premium liability (Note 8)	1,516,490	130,357
Gain on settlement of derivative liability (Note 7)	-	2,309,648
Gain on sale of previously written-off exploration and evaluation assets	-	21,500
Gain on settlement of Mexican payables (Note 6)	85,827	-
Write-down of other assets (Note 6)	-	(42,825)
Write-off of exploration and evaluation assets (Note 6)	-	(1)
Income/(loss) and comprehensive income/(loss) for the year	$ (1,573,541)	$ 1,253,351
Basic and diluted income/(loss) per share	$ (0.01)	$ 0.02
Weighted average number of common shares Outstanding	164,770,769	53,536,059

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

IDM MINING LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED OCTOBER 31

		2016		2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) for the year	$	(1,573,541)	$	1,253,351
Items not affecting cash:				
Depreciation		5,341		3,261
Unrealized foreign exchange gain		(89,840)		(95,567)
Recognition of flow-through premium liability		(1,516,490)		(130,357)
Share-based payments		1,568,486		353,287
Gain on settlement of derivative liability		-		(2,309,648)
Write-off of exploration and evaluation assets		-		1
Gain on settlement of Mexican payables		(85,827)		-
Write-down of other assets		-		42,825
Change in non-cash working capital items:				
Receivables		(635,384)		150,136
Prepaid expenses		(153,971)		91,558
Accounts payable and accrued liabilities		232,097		(225,472)
Net cash used in operating activities		(2,249,129)		(866,625)
CASH FLOWS FROM INVESTING ACTIVITIES				
Expenditures on exploration and evaluation assets		(9,203,426)		(1,699,084)
Acquisition on exploration and evaluation assets		(1,000,000)		-
Land use deposits		(35,400)		-
Purchase of equipment		(319,360)		-
Net cash used in investing activities		(10,558,186)		(1,699,084)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds on issuance of share capital		23,808,370		2,030,781
Share issuance costs		(1,638,245)		(13,300)
Deferred finance costs		-		-
Net cash provided by financing activities		22,170,125		2,017,481
Change in cash during the year		9,362,810		(548,228)
Cash, beginning of year		508,253		1,056,481
Cash, end of year	$	9,871,063	$	508,253

Supplemental disclosure with respect to cash flows (Note 10)

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

IDM MINING LTD.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY/(DEFICENCY)
(Expressed in Canadian Dollars)

	Share capital				
	Number	**Amount**	**Reserves**	**Deficit**	**Total**
Balance at October 31, 2014	44,250,701	$ 41,492,346	$ 5,174,558	$ (47,913,388)	$ (1,246,484)
Issued for:					
Private placement	10,083,750	1,008,375	-	-	1,008,375
Flow-through private placement	7,302,900	1,022,406	-	-	1,022,406
Derivative liability settlement	7,500,000	750,000	1,690,352	-	2,440,352
Debt	4,512,301	676,845	-	-	676,845
Share issue costs	-	(13,300)	-	-	(13,300)
Share-based payments	-	-	353,287	-	353,287
Agent warrants	-	(4,094)	4,094	-	-
Flow-through premium	-	(292,116)	-	-	(292,116)
Income for the year	-	-	-	1,253,351	1,253,351
Balance at October 31, 2015	73,649,652	44,640,462	7,222,291	(46,660,037)	5,202,716
Issued for:					
Private placement	129,448,091	14,688,935	-	-	14,688,935
Flow-through private placement	59,343,137	7,736,158	-	-	7,736,158
Property acquisition	7,188,889	647,000	-	-	647,000
Warrants exercised	9,593,081	1,383,277	-	-	1,383,277
Debt settlement	3,750,000	637,500	-	-	637,500
Share issue costs	-	(1,638,245)	-	-	(1,638,245)
Share-based payments	-	-	1,568,486	-	1,568,486
Agent warrants	-	(376,035)	376,035	-	-
Flow-through premium liability	-	(1,428,545)	-	-	(1,428,545)
Loss for the year	-	-	-	(1,573,541)	(1,573,541)
Balance at October 31, 2016	282,972,850	$ 66,290,507	$ 9,166,812	$ (48,233,578)	$ 27,223,741

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

1. NATURE AND CONTINUANCE OF OPERATIONS

IDM Mining Ltd. (the "Company") is an exploration company incorporated on July 14, 2009 under the laws of the Province of British Columbia, Canada. The Company's shares were voluntary delisted from the Toronto Stock Exchange after close of trading on December 29, 2015 and were listed on the TSX Venture Exchange ("TSXV") on open of trading on December 30, 2015 and trades under the symbol IDM.

The Company's head office, principal address and registered and records office is 1500 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

The Company is in the business of acquiring and exploring economically viable mineral resource deposits on its mineral properties. The recoverability of the amounts shown for mineral properties acquisition costs and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. The Company believes its current working capital and subsequent financing (Note 15(d)) are sufficient to meet its fiscal year 2017 work commitments and general corporate overhead. The Company will continue to have to raise funds beyond its current working balance in order to continue to advance the Red Mountain property. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favorable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern.

The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

2. BASIS OF PREPARATION

Statement of Compliance

These consolidated financial statements, including comparatives, have been prepared using accounting policies consistent with the IFRS issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of Presentation

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

2. BASIS OF PREPARATION (cont'd…)

Use of Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates.

These consolidated financial statements include estimates and judgments which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The most significant estimates and assumptions relate to the recognition of deferred income tax amounts, impairment testing, the valuation of certain financial liabilities, and the calculation of share-based payments. Share-based payments, as measured with respect to stock options granted, are estimated by reference to the Black-Scholes Pricing Model; a detailed disclosure of management's estimates with respect to the pricing model is found in Note 8. The Company has reviewed its exploration and evaluation assets for indications of impairment and determined that there is no such indication. The recognition of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred taxes.

The most significant judgments relate to the recoverability of capitalized amounts, the functional currency of the Company and its subsidiaries, recognition of deferred tax assets and liabilities and the determination of the economic viability of a project and the going concern assumption.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company (Note 9). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operations and has been determined for each entity within the Company. The functional currency for all entities within the corporate group is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting periods, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. The Company's cash and short-term investments are classified as FVTPL. Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company's receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At October 31, 2016, the Company has not classified any financial assets as available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. The Company has classified its derivative liability as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities and other payables are classified as other financial liabilities.

Financial instrument disclosures

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Short-term investments

Short-term investments consist of highly liquid investments held as collateral on other short-term obligations included in accounts payable and accrued liabilities.

Equipment

Equipment is carried at cost, less accumulated depreciation and accumulated impairment losses. Field equipment is depreciated at 20% declining balance. The Company reviews residual value amortization methods and useful lives annually. Any changes in estimates that arise from this review are accounted for prospectively.

Exploration and evaluation assets

Costs directly related to the acquisition, exploration and evaluation of mineral properties is capitalized once the legal rights to explore the mineral 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 units of production method on commencement of commercial production.

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

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Impairment (cont'd...)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

a) *Environmental rehabilitation provisions*

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an environmental rehabilitation obligation is recognized at its fair value in the period in which it is incurred if a reasonable estimate of cost can be made. The Company records the present value of estimated future cash flows associated with reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for that amount. Subsequently, these capitalized asset retirement costs are amortized over the life of the related assets. At the end of each period, the liability is increased to reflect the passage of time (accretion expense) and changes in the estimated future cash flows underlying any initial estimates (additional rehabilitation costs). The Company recognizes its environmental liability on a site-by-site basis when it can be reliably estimated.

Environmental expenditures related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible are charged to profit or loss. The Company had no significant rehabilitation obligations as at October 31, 2016 and 2015.

b) *Other provisions*

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Warrants that are issued as payment for an agency fee or other transaction costs are accounted for as share-based payments.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Flow-through shares

The issuance of flow-through common shares results in the tax deductibility of the qualifying resource expenditures funded from the proceeds of the sale of such shares being transferred to the purchasers of the shares. Under IFRS, on the issuance of such shares, the Company bifurcates the flow-through shares into: a flow-through shares premium, equal to the estimated premium, if any, that investors pay for the flow-through feature, which is recognized as liability, and share capital. As the related qualifying exploration expenditures are incurred, the Company derecognizes the liability and the premium is recognized as other income.

Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

If and when the stock options are exercised, the applicable amounts of reserves are transferred to share capital.

Net income/(loss) per share

Basic net income/(loss) per share is computed by dividing loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted net income/(loss) per share is computed similar to basic net income/(loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods.

Income taxes

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for those relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the excess.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

New standards, interpretations and amendments not yet adopted

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended October 31, 2016:

a) IFRS 9 New financial instrument standard that replaces IAS 39 for classification and measurement of financial assets[(i)]

(i) Effective for annual periods beginning on or after January 1, 2018

The Company anticipates that the application of these standards, amendments and interpretations is not expected to have a material impact on the results and financial position of the Company.

4. LAND USE DEPOSITS

The Company has provided deposits as security for land use and potential future reclamation work related to its mineral properties. As at October 31, 2016 a total of $85,400 (2015 – $50,000) has been lodged with the British Columbia Ministry of Energy and Mines.

5. EQUIPMENT

		Computer equipment		Field equipment		**Total**
Cost						
Balance, October 31, 2015 and 2014	$	22,353	$	-	$	**22,353**
Acquisitions for the year		-		319,360		**319,360**
Balance, October 31, 2016	$	22,353	$	319,360	$	**341,713**
Accumulated depreciation						
Balance, October 31, 2014	$	13,751	$	-	$	**13,751**
Depreciation for the year		3,261		-		**3,261**
Balance, October 31, 2015	$	17,012	$	-	$	**17,012**
Depreciation for the year		5,341		6,223		**11,564**
Balance, October 31, 2016	$	22,353	$	6,223	$	**28,576**
Carrying amounts						
As at October 31, 2015	$	5,341	$	-	$	**5,341**
As at October 31, 2016	$	-	$	313,137	$	**313,137**

6. EXPLORATION AND EVALUATION ASSETS

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain mineral titles as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all its properties and, to the best of its knowledge, title to all of its properties is in good standing.

Red Mountain (B.C., Canada)

In April 2014, the Company entered into an option agreement with Seabridge Gold Inc. (“Seabridge”) to acquire a 100% interest in the Red Mountain gold project located near Stewart, B.C.

Under the terms of the option agreement, the Company issued 4,955,500 common shares valued at $1,214,098, paid $2,000,000 and incurred $7,500,000 in exploration and development expenditures. Subsequent to October 31, 2016 the Company exercised its option to acquire 100% in Red Mountain gold project.

Upon the commencement of commercial production, the Company is required to make an additional one-time $1,500,000 cash payment to Seabridge, and Seabridge will also retain a gold metal stream on the Red Mountain project to acquire 10% of the annual gold production from the property at a cost of US$1,000 per ounce up to a maximum of 500,000 ounces produced (50,000 ounces to Seabridge). Alternatively, Seabridge may elect to receive a one-time cash payment of $4,000,000 at the commencement of production in exchange for the buyback of the gold metal stream. The property is also subject to payment of production royalties and the payment of a minimum annual pre-production royalty of $50,000 (Total pre-production royalty paid to date - $1,000,000) to Wotan Resources Corp. (“Wotan”). Production from the claims, which contain the Red Mountain gold deposit are subject to two separate royalties aggregating 3.5% net smelter return royalty (Franco-Nevada Corp – 1% and Wotan - 2.5%).

Yukon Properties (YK, Canada)

In February 2016, the Company acquired from Osisko Mining Corporation (“Osisko”) a portfolio of properties located in the Yukon. As consideration, the Company issued 7,188,889 common shares valued at $647,000 and granted a 1% net smelter royalty over the Yukon properties. Subsequent to October 31, 2016, the Company entered into an agreement to sell the Yukon properties (refer to Note 15(c)).

Mexico Property Portfolio

The Company has commenced the process to place its two Mexican subsidiaries into liquidation and begun settlement discussions with certain creditors to resolve the amounts payable with respect to the Mexican operations. During the year ended October 31, 2015, the Company wrote off other assets valued at $42,825 as a result of the Mexican subsidiaries entering into liquidation. During the year ended October 31, 2016 the Company settled certain payables by the issuance of 3,750,000 common shares at a value of $637,500, a cash payment of $67,250 (US$50,000) and selling of certain properties resulting in a gain on settlement of $85,827.

Concession fees on the Mexico Properties were due semi-annually in January and July of each year. The Company, through its wholly owned entity Minera Golondrina has accrued $832,003 (2015 - $1,712,420) for the concession fees payable and penalties and interest on the Mexico Properties from July 2013 to the date these properties were returned to the government authorities.

(Expressed in Canadian Dollars)

Champion Hills Properties (USA)

The Company had entered into various option and purchase agreements to acquire 100% of the Champion Hills properties located in North Carolina. The Company had elected not to purchase or extend the lease periods on these properties. During the year ended October 31, 2015, the Company wrote-off the $1 carrying value of the Champion Hills properties.

	October 31, 2016		
	Red Mountain	Yukon	Total
Exploration costs:			
Balance, beginning of year	$ 4,314,867	$ -	$ 4,314,867
Project administration	423,064	-	423,064
Baseline studies	1,115,938	-	1,115,938
Permitting	558,690	-	558,690
First Nations and public engagement	273,947	4,215	278,162
Field personnel	1,606,873	20,397	1,627,270
Field equipment maintenance and rental	1,063,104	-	1,063,104
Camp	1,194,328	-	1,194,328
Drilling	1,440,437	-	1,440,437
Assaying	167,576	-	167,576
Fuel	294,572	-	294,572
Geophysics	-	6,602	6,602
Geotechnical	1,030,385	-	1,030,385
Helicopter	1,524,776	-	1,524,776
Hydrogeology	58,090	-	58,090
Licenses/fees	-	1,205	1,205
Mapping	-	2,083	2,083
Metallurgical	14,695	-	14,695
Reports	475,636	-	475,636
Road works	99,204	-	99,204
Site preparation	230,376	-	230,376
	11,571,691	34,502	11,606,193
Balance, end of year	15,886,558	34,502	15,921,060
Acquisition costs:			
Balance, beginning of year	2,387,205	-	2,387,205
Acquisition costs during the year	1,000,000	647,000	1,647,000
	3,387,205	647,000	4,034,205
Balance, end of year	3,387,205	647,000	4,034,205
Balance, October 31, 2016	$ 19,273,763	$ 681,502	$ 19,955,265

(Expressed in Canadian Dollars)

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

	October 31, 2015		
	Red Mountain	Champion Hills	Total
Exploration costs			
Balance, beginning of year	$ 3,609,724	$ -	$ 3,609,724
Assay	3,523	-	3,523
Camp and road access	28,698	-	28,698
Field work and personnel	22,445	-	22,445
Geological consulting	91,929	-	91,929
Metallurgical	27,630	-	27,630
Helicopter	83,069	-	83,069
Lease payments and permitting	443,909	-	443,909
Project administration and report Preparation	1,250	-	1,250
Travel and transportation	2,690	-	2,690
	705,143	-	705,143
Balance, end of year	4,314,867	-	4,314,867
Acquisition costs			
Balance, beginning of year	2,387,205	1	2,387,206
Acquisition costs	-	-	-
	2,387,205	1	2,387,206
Write-off during the year	-	(1)	(1)
Balance, end of year	2,387,205	-	2,387,205
Balance, October 31, 2015	$ 6,702,072	$ -	$ 6,702,072

7. DERIVATIVE LIABILITY

Pursuant to the purchase and sale agreement with Lake Shore Gold Corp ("Lake Shore") whereby the Company acquired Lake Shore's subsidiary, Minera Golondrina, the Company was obligated to pay $5,000,000 in cash or common shares to be valued at the greater of $0.20 or the five day trading volume weighted average price, at the option of the Company, on or before December 31, 2017. This floor created a derivative liability as the Company was under no obligation to deliver cash and may have issued shares with a fair value less than the $5,000,000.

In June 2015, the Company and Lake Shore amended the terms of the purchase and sale agreement to settle the Company's remaining payment obligation of $5,000,000. Pursuant to the amended agreement and in full settlement of the payment obligation, the Company issued 7,500,000 common shares and 20,000,000 common share warrants to Lake Shore.

(Expressed in Canadian Dollars)

7. DERIVATIVE LIABILITY (cont'd…)

The common shares and warrants have been recorded at a fair value of $750,000 and $1,690,352, respectively (Refer to Note 8).

The table below illustrates the movement of the derivative liability

	October 31, 2015
Opening balance	$ 4,750,000
Gain on settlement of derivative liability	(2,309,648)
Unrealised loss (gain) on derivative liability	-
Settlement of derivative liability	(2,440,352)
Closing balance	$ -

8. SHARE CAPITAL AND RESERVES

Authorized share capital

As at October 31, 2016, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares are fully paid.

Private placements:

During the year ended October 31, 2016, the Company:

a) completed a non-brokered private in December 2015 for gross proceeds of $1,581,488, consisting of 9,989,800 flow-through units at $0.11 per flow-through unit and 5,362,333 common units at $0.09 per common unit. Each common and flow-through unit consisted of one common share and one half-warrant, with each whole warrant exercisable for a period of 24 months at $0.14 per share.

   Finder's fees payable in connection with the financing consisted of $48,485 and 552,939 finders' warrants exercisable for a period of 12 months at $0.10 per share. The finder's warrants have been recorded at a fair value of $13,034, which is included in reserves. The fair value of the finder's warrants was determined using the Black-Scholes option pricing model using the following assumptions: risk free rate interest rate of 0.54%, expected life of 1.00 year, expected volatility rate of 76.08% and a dividend rate of 0.00%

b) completed a private placement in December 2015 with Osisko for gross proceeds of $1,000,000, consisting of 11,111,111 common shares at a price of $0.09. Finder's fees payable in connection with the financing consisted of $50,000 and 555,555 finders' warrants exercisable for a period of 12 months at $0.10 per share. The finder's warrants have been recorded at a fair value of $12,923, which is included in reserves. The fair value of the finder's warrants was determined using the Black-Scholes option pricing model using the following assumptions: risk free rate interest rate of 0.54%, expected life of 1.00 year, expected volatility rate of 75.14% and a dividend rate of 0.00%

c) completed a brokered and non-brokered private placement in April 2016 for gross proceeds of $10,848,898, consisting of 37,269,208 flow-through units at $0.11 per flow-through unit and 74,992,058 common units at $0.09 per common unit. Each common and flow-through unit consisted of one common share and one half-warrant, with each whole warrant exercisable for a period of 24 months at $0.15 per share. Finder's fee payable in connection with the financing consisted of $611,625 and 6,372,730 finders' warrants exercisable for a period

8. SHARE CAPITAL AND RESERVES (cont'd…)

of 12 months at $0.15 per share. The finder's warrants have been recorded at a fair value of $247,809, which is included in reserves. The fair value of the finder's warrants was determined using the Black-Scholes option pricing model using the following assumptions: risk free rate interest rate of 0.62%, expected life of 1.00 year, expected volatility rate of 71.68% and a dividend rate of 0.00%. The Company incurred an additional $306,943 in other share issue costs.

d) completed a brokered and non-brokered private placement in October 2016 for gross proceeds of $8,994,707, consisting of 12,084,129 flow-through shares at $0.21 per flow-through share and 37,982,589 common units at $0.17 per common unit. Each common unit consisted of one common share and one half-warrant, with each whole warrant exercisable for a period of 24 months at $0.25 per share. Finder's fees payable in connection with the financing consisted of a total of $418,270 and 2,138,739 finders' warrants exercisable for a period of 12 months at $0.25 per share. The finder's warrants have been recorded at a fair value of $96,652, which is included in reserves. The fair value of the warrants was determined using the Black-Scholes option pricing model using the following assumptions: risk free rate interest rate of 0.54%, expected life of 1.00 year, expected volatility rate of 76.68% and a dividend rate of 0.00%. The Company incurred an additional $171,252 in other share issue costs.

During the year ended October 31, 2015 the Company:

a) completed a non-brokered private for gross proceeds of $2,030,781, consisting of 7,302,900 flow-through units at $0.14 per flow-through unit and 10,083,750 common units at $0.10 per common unit. Each flow-through unit consisted of one common share and one half-warrant, with each whole warrant exercisable for a period of 24 months at $0.18 per share. Each common unit consisted of one common share and one half-warrant exercisable for a period of 24 months at $0.15 per share. Finder's fees payable in connection with the financing consisted of $13,300 and 130,200 finder's warrants. The finder's warrants have been recorded at a fair value of $4,094, which is included in reserves. The fair value of the finder's warrants was determined using the Black-Scholes option pricing model using the following assumptions: risk free rate interest rate of 0.48%, expected life of 1.00 year, expected volatility rate of 99.24% and a dividend rate of 0.00%.

Other share issuances:

During the year ended October 31, 2016, the Company

a) Issued 7,188,889 common shares to Osisko to acquire the Yukon properties valued at $647,000. A finder's fee payable connection with the acquisition consisted of a total $32,350 and 359,444 finders' warrants exercisable for a period of 12 months at $0.10 per share. The finder's warrants have been recorded at a fair value of $5,617, which is included in reserves. The fair value of the finder's warrants was determined using the Black-Scholes option pricing model using the following assumptions: risk free rate interest rate of 0.62%, expected life of 1.00 year, expected volatility rate of 68.92% and a dividend rate of 0.00%

b) Issued 3,750,000 commons shares to settle debts relating to past operations on the Mexico Property, valued at $637,500.

During the year ended October 31, 2015 the Company:

a) Issued 7,500,000 common shares and 20,000,000 warrants to Lake Shore pursuant to the amended purchase and sale agreement (Refer to Note 7) valued at $2,440,352. Each warrant is exercisable for a period of 60 months at $0.20 per share. The warrants are subject to an acceleration provision if the Company's share trade at or above $0.40 per share for 20 consecutive trading days. The common shares were valued at $750,000 and the warrants have been recorded at a fair value of $1,690,352, which is included in reserves. The fair value of the warrants was determined using the Black-Scholes option pricing model using the following assumptions: risk free rate

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (cont'd…)

interest rate of 0.52%, expected life of 5.00 years, expected volatility rate of 120.90% and a dividend rate of 0.00%.

b) Issued 4,512,301 commons shares to settle debts relating to services provided on the Red Mountain project, valued at $676,845.

Flow Through Premium Liability:

The following is a continuity schedule of the liability portion of the flow-through share issuances:

Balance as of October 31, 2014	$ -
Flow-through premium liability	292,116
Settlement of flow through share premium liability pursuant to qualified expenditures	(130,357)
Balance as of October 31, 2015	161,759
Flow-through share premium liability	1,428,545
Settlement of flow through share premium liability pursuant to qualified expenditures	(1,516,490)
Balance as of October 31, 2016	$ 73,814

Stock options and warrants:

Stock option and warrant transactions are summarized as follows:

	Warrants		Stock options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, October 31, 2014	11,672,944	$0.70	3,629,170	$0.54
Granted	28,823,427	0.19	4,155,000	0.10
Forfeited	(8,801,355)	0.75	(545,835)	1.76
Outstanding, October 31, 2015	31,695,016	0.22	7,238,335	0.20
Granted	92,777,495	0.14	11,600,000	0.19
Exercised	(9,593,081)	0.14	-	0.00
Forfeited	(2,883,839)	0.53	(37,501)	4.20
Outstanding, October 31, 2016	111,995,591	0.18	18,800,834	0.19
Number currently exercisable	111,995,591	$0.18	17,938,334	$0.19

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (cont'd…)

Stock options and warrants outstanding (cont'd...)

The following incentive stock options and warrants were outstanding at October 31, 2016:

Number	Exercise price	Expiry date
Stock options		
45,834	$ 2.58	February 1, 2017
2,850,000	0.24	July 3, 2019
150,000	0.30	October 10, 2019
1,230,000	0.11	April 27, 2020
2,925,000	0.10	October 27, 2020
10,500,000	0.19	May 11, 2021
350,000	0.23	July 19, 2021
750,000	0.19	August 26, 2021
Warrants		
3,121,875	0.15	July 2, 2017
80,000	0.18	July 2, 2017
320,000	0.15	July 20, 2017
2,067,600	0.18	July 20, 2017
20,000,000	0.20	July 31, 2020*
1,503,852	0.18	August 13, 2017
6,596,067	0.14	December 31, 2017
140,032	0.10	December 31, 2016
359,444	0.10	February 1, 2017
50,419,519	0.15	April 27, 2018
6,257,172	0.15	April 27, 2017
18,991,291	0.25	October 4, 2018**
2,138,739	0.25	October 4, 2017

*These warrants are subject to an accelerated expiry in the event that the Company's common shares trade at a closing price greater than $0.40 per share for a period of 20 consecutive trading days. The Company may accelerate the expiry date of the warrants by giving notice via press release; in such case, the warrants will expire 30 days from the date of notice.

**These warrants are subject to an accelerated expiry in the event that the Company's common shares trade at a closing price greater than $0.37 per share for a period of 20 consecutive trading days. The Company may accelerate the expiry date of the warrants by giving notice via press release; in such case, the warrants will expire 30 days from the date of notice.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (cont'd…)

Share-based payments

The Company has a stock option plan under which it is authorized to grant options to directors, officers, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 10 years and vest at the discretion of the Board of Directors.

During the year ended October 31, 2016, the Company granted 11,600,000 (2015 – 4,155,000) stock options with a weighted fair value of $0.15 (2015 - $0.09) per option for options graded and vested to directors, officers and consultants. Total share-based payments for options vested recognized in the statement of income/(loss) and comprehensive income/(loss) for the year ended October 31, 2016 was $1,568,486 (2015 - $353,287) pursuant to vesting incentive options. This amount was also recorded as reserves on the statement of financial position.

The following weighted-average assumptions were used in the Black-Scholes valuation of stock options granted during the year:

	2016	2015
Risk free interest rate	0.61%	0.54%
Expected life of Option	5 years	5 years
Annualized volatility	117.73%	120.78%
Dividend rate	0.00	0.00
Forfeiture rate	0.00	0.00

9. RELATED PARTY TRANSACTIONS

The consolidated financial statements include the financial statements of the Company and its 100% owned subsidiaries Revolution Resources (NC) Inc. (USA), Minera Revolution, S.A. de C.V. (Mexico) and Minera Golondrina S.de R.L. de C.V., (Mexico).

During the year ended October 31, 2016, the Company paid or accrued the following amounts as compensation to key management personnel:

a) Management fees of $377,000 (2015 - $261,629) to officers of the Company.

b) Director fees of $80,000 (2015 - $23,000) to non-executive directors of the Company and a company controlled by a director of the Company.

c) Professional advisory fees of $25,000 (2015- $Nil) to a company controlled by a director of the Company

Share based compensation expense for the year ended October 31, 2016 includes compensation to directors and officers of $1,238,615 (2015 - $291,824) for stock options vesting during the year.

Included in accounts payable is $147,436 (2015 - $24,435) due to directors and officers of the Company.

The Company operates from the premises of a group of public and private companies with common directors. Certain companies provide office and administrative services to the Company and various other public companies. Included in accounts payable and accrued liabilities is $125,573 (2015 - $140,177) due to a related private company. During the year ended October 31, 2016, the Company paid or accrued $73,685 (2015 - $72,544) for office and administrative expenditures.

9. RELATED PARTY TRANSACTIONS (cont'd…)

Falkirk Resource Consultants Ltd ("Falkirk"), is a private company, controlled by a director of the Company. During the year ended October 31, 2016, the Company paid or accrued $390,850 (2015 - $90,780) to Falkirk for services relating to the environmental baseline studies, permitting and government issues associated with the Red Mountain property.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended October 31, 2016, include the Company:

a) Issuing 9,619,963 agent warrants with a fair value of $370,418 as finder's fees in relation to the private placements.

b) Issuing 7,188,889 common shares valued at $647,000 and issuing 359,444 finder warrants with a fair value $5,617 in relation to the acquisition of the Yukon properties.

c) Issuing 3,750,000 common shares valued at $637,500 in relation with the settlement of debts to the Company's past operation in Mexico.

d) Included in accounts payable and accrued liabilities as at October 31, 2016 were $2,565,052 in expenditures related to exploration and evaluation expenditures.

Significant non-cash transactions for the year ended October 31, 2015, include the Company:

a) Issuing 4,512,301 common shares with a fair value of $676,845 in settlement of accounts payable accrued liabilities which related to exploration and evaluation expenditures.

b) Issuing 130,200 agent warrants with a fair value of $4,094 as finder's fees in relation to the private placements.

c) Issuing 7,500,000 common shares and 20,000,000 warrants with a fair value of $2,440,532 in settlement of the derivative liability.

d) Included in accounts payable and accrued liabilities as at October 31, 2015 were $174,679 in expenditures related to exploration and evaluation expenditures.

(Expressed in Canadian Dollars)

11. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	2016	2015
Income/(loss) for the year before income tax	$ (1,573,541)	$ 1,253,351
Expected income tax (recovery)	$ (409,000)	$ 326,000
Permanent differences	(39,000)	(559,000)
Impact of flow-through shares	1,642,000	161,000
Changes in tax rates and other	(371,000)	(292,000)
Change in unrecognized deductible temporary differences	(823,000)	364,000
Total income tax (recovery)	$ -	$ -

Significant components of deductible differences, unused tax losses and unused credits that have not been included in the statement of financial position are as follows:

	2016	2015	Expiry Dates
Share issuance costs	$ 1,507,000	$ 414,000	2037 – 2040
Exploration and evaluation assets	13,876,000	23,515,000	Not applicable
Non-capital losses	15,706,000	11,675,000	2029 – 2036
Equipment	29,000	17,000	Not applicable

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial Instruments

Cash and short-term investments are carried at fair value using a level 1 fair value measurement. The carrying value receivables, and accounts payable and accrued liabilities and other payables approximate their fair value because of the short-term nature of these instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2016, the Company had a cash balance of $9,871,063 to settle current liabilities of $3,926,660.

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipates it will need additional capital in the future to finance on-going exploration of its properties, such capital to be derived from the exercise of outstanding warrants and the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the previously mentioned financing activities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and short-term investments. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables consist mainly of GST receivable from the Government of Canada. The Company has been successful in recovering input tax credits and believes credit risk with respect to receivables to be insignificant.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

a) Interest rate risk

   The Company's financial assets exposed to interest rate risk consist of cash and short-term investments balances. The Company's current policy will be to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at October 31, 2016, the Company did not have any investments in investment-grade short-term deposit certificates.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Financial risk factors (cont'd…)

b) Foreign currency risk

The majority of the Company's business is conducted in Canada in either the Canadian dollar or the US dollar. As such, the Company is exposed to foreign currency risk in fluctuations among the Canadian dollar and the US dollar. Fluctuations in the exchange rate among the Canadian dollar and US dollar may have a material effect on the Company's business and financial condition. Fluctuations do not have a significant impact on operating results.

c) Price risk

The mining industry is heavily dependent upon the market price of the metals or minerals being mined. There is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for their sale. There can be no assurance that mineral prices will be such that the Company's properties can be mined at a profit. Factors beyond control of the Company may affect the marketability of any minerals discovered. The price of gold has experienced volatile and significant price movements over short periods of time, and is affected by numerous factors beyond the Company's control. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

13. CAPITAL MANAGEMENT

The Company considers capital to be the elements of shareholders' equity. The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the exploration and development of its mineral property interests. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements. There has been no changes to the management of capital during the current fiscal year.

14. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition and exploration of mineral property concessions. All the Company assets are located in Canada.

15. SUBSEQUENT EVENTS

a) A total of 477,252 warrants were exercised for total proceeds of $47,725 and 22,224 warrants expired unexercised.

b) A total of 7,500,000 stock options were granted at an exercise price of $0.15 with an expiry date of February 1, 2022 and 1,300,000 stock options were granted at an exercise price of $0.17 with an expiry date of February 9, 2022. A total of 45,834 stock options expired unexercised.

c) In January 2017, the Company entered into an agreement to sell its portfolio of properties located in the Yukon to StrikePoint Gold Inc. ("Strikepoint") in exchange for consideration valued at $4,200,000.

   The Company has agreed to receive $150,000 in cash and 10,500,000 common shares of StrikePoint valued at $0.385 per share. In addition, StrikePoint will be required to incur $1,500,000 in exploration expenditures on the Yukon Properties by December 31, 2017 and to pay any deficiency to the Company in cash.

   Closing of the transaction is to occur on or before February 28, 2017 and is subject to receipt of regulatory approvals, third party consents and approval of StrikePoint's shareholders as the transaction will result in the creation of a new control block position being held by the Company.

d) In February 2017, the Company announced a private placement with Osisko Gold Royalties Ltd ("Osisko Royalties") for total proceeds of $15,248,000. Osisko Royalties has agreed to purchase 29,400,000 common shares at a price of $0.17 per share and 41,000,000 flow-through common shares at a price of $0.25. Closing is subject to receipt of all necessary regulatory approvals including approval of the TSX Venture Exchange.

   In connection with the private placement, the Company will grant to Osisko Royalties certain pre-emptive rights in respect to purchase or grants of royalties or streams from the Red Mountain Project.