TREASURY METALS

INCORPORATED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2016 AND 2015

(Expressed in Canadian Dollars)

Collins Barrow Toronto LLP
Collins Barrow Place
11 King Street West
Suite 700, PO Box 27
Toronto, Ontario
M5H 4C7 Canada

T. 416.480.0160
F. 416.480.2646

www.collinsbarrow.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Treasury Metals Inc.

We have audited the accompanying consolidated financial statements of Treasury Metals Inc. and its subsidiaries which comprise the consolidated balance sheets as at December 31, 2016 and December 31, 2015 and the consolidated statements of operations, other comprehensive loss, changes in shareholders' equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

This office is independently owned and operated by Collins Barrow Toronto LLP.
The Collins Barrow trademarks are used under license.

An independent member of
BAKER TILLY
INTERNATIONAL

Emphasis of Matter

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

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
March 31, 2017
Toronto, Ontario

COLLINS BARROW

TREASURY METALS INC.
CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN CANADIAN DOLLARS)

	December 31, 2016	December 31, 2015
Assets		
Current Assets		
Cash and cash equivalents (Note 4)	**$ 2,857,583**	$ 345,122
Accounts receivable and prepaid expenses (Note 5)	**860,697**	355,889
	3,718,280	701,011
Investments (Note 6)	**279,655**	9,345
Property and equipment (Note 7)	**2,368,818**	2,401,361
Mineral properties and related deferred costs (Note 8)	**65,366,680**	58,226,673
	$ 71,733,433	$ 61,338,390
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 10) & (Note 15)	**$ 2,671,576**	$ 900,279
Current portion of long-term debt (Note 11)	**4,902,108**	4,943,093
Derivative liability (Note 11)	**887,000**	-
Unrenounced flow-through share premium (Note 12) & (Note 18)	**753,295**	194,383
	9,213,979	6,037,755
Long-term debt (Note 11)	**70,029**	166,892
Deferred tax liability (Note 17)	**2,412,500**	3,187,600
	11,696,508	9,392,247
Shareholders' Equity		
Capital stock (Note 12)	**76,917,364**	66,784,052
Contributed surplus (Note 13) & (Note 14)	**6,101,553**	4,994,160
Deficit	**(22,981,182)**	(19,805,404)
Accumulated other comprehensive loss	**(810)**	(26,665)
	60,036,925	51,946,143
	$ 71,733,433	$ 61,338,390

Nature of Operations and Going Concern (Note 1)
Commitments and Contractual Obligations (Note 18)

SIGNED ON BEHALF OF THE BOARD

(Signed) *"Doug Bache"*
Director

(Signed) *"Marc Henderson"*
Director

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

TREASURY METALS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(EXPRESSED IN CANADIAN DOLLARS)

Years ended December 31,	**2016**	2015
Income		
Other income	**$ 3,838**	$ 8,044
	3,838	8,044
Expenses		
Administrative, office and shareholder services	**$ 860,527**	$ 635,179
Professional fees	**340,882**	64,517
Salary and benefits	**776,185**	616,000
Stock-based compensation (Note 14)	**493,087**	223,020
Amortization of long-term debt transaction costs (Note 11)	**1,035,646**	554,808
Interest and commitment fees	**754,341**	533,466
Foreign exchange loss	**294,623**	14,925
Loss on sale of investments (Note 6)	**-**	90,165
Write-off of investments (Note 6)	**29,084**	-
Write-down of mineral properties and related deferred costs (Note 8)	**-**	472,180
Net gain on debt settlement (Note 11)	**(390,872)**	-
Fair value change in derivative liability	**(44,487)**	-
	4,149,016	3,204,260
Loss before income taxes	**(4,145,178)**	(3,196,216)
Deferred income tax recovery (Note 17)	**969,400**	340,700
Net loss for the year	**$ (3,175,778)**	$ (2,855,516)
Loss per share - basic	**$ (0.04)**	$ (0.04)
Weighted average number of shares outstanding	**90,214,823**	77,549,316

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

TREASURY METALS INC.
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)

Years ended December 31,		**2016**		2015
Net loss for the year	**$**	**(3,175,778)**	$	(2,855,516)
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income (loss)				
Unrealized loss on available for sale investments, net of taxes		**(3,229)**		(178,799)
Reclassification of realized loss and write-off on available for sale investments to income		**29,084**		90,165
Other comprehensive income (loss) for the year		**25,855**		(88,634)
Total comprehensive loss for the year	**$**	**(3,149,923)**	$	(2,944,150)

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

TREASURY METALS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	Common Shares		Capital Stock		Contributed Surplus		Deficit		Accumulated Other Comprehensive Income (Loss)		Total
Balance, January 1, 2015	**76,430,350**	**$**	**64,860,522**	**$**	**4,352,422**	**$**	**(16,949,888)**	**$**	**61,969**	**$**	**52,325,025**
Shares issued for cash in private placements	3,054,744		1,332,135		-		-		-		1,332,135
Flow through private placements (Note 12)	2,171,667		1,048,750		-		-		-		1,048,750
Shares issued, receivable at year end	468,000		163,800		-		-		-		163,800
Share issue costs (Note 12)	-		(135,036)		-		-		-		(135,036)
Issuance of compensation options (Note 14)	-		(39,870)		39,870		-		-		-
Issuance of warrants	-		(338,461)		338,461		-		-		-
Stock options exercised (Note 14)	150,000		45,000		-		-		-		45,000
Fair value of contributed surplus transferred on exercised options	-		41,595		(41,595)		-		-		-
Unrenounced flow-through shares premium	-		(194,383)		-		-		-		(194,383)
Stock-based compensation	-		-		305,002		-		-		305,002
Net loss for the year	-		-		-		(2,855,516)		-		(2,855,516)
Other comprehensive loss	-		-		-		-		(88,634)		(88,634)
Balance, December 31, 2015	**82,274,761**	**$**	**66,784,052**	**$**	**4,994,160**	**$**	**(19,805,404)**	**$**	**(26,665)**	**$**	**51,946,143**
Shares issued for cash in private placements (Note 12)	9,351,905		4,353,700		-		-		-		4,353,700
Flow through private placements (Note 12)	3,587,117		2,618,595		-		-		-		2,618,595
Share issue cash costs (Note 12)	-		(521,695)		-		-		-		(521,695)
Issuance of compensation options (Note 14)	-		(60,000)		60,000		-		-		-
Issuance of warrants (Note 13)	-		(644,983)		644,983		-		-		-
Stock options and warrants exercised (Note 13) and (Note 14)	2,615,741		1,319,255		-		-		-		1,319,255
Fair value of stock options and warrants exercised (Note 13) and (Note 14)	-		463,065		(463,065)		-		-		-
Shares issued with respect to term loan (Note 12)	220,000		121,000		-		-		-		121,000
Warrants issued with respect to term loan (Note 13)	-		-		50,812		-		-		50,812
Fair value adjustment of warrants (Note 13)	-		-		532,500		-		-		532,500
Fair value adjustment on loan settlement (Note 11)	-		-		(490,872)		-		-		(490,872)
Issued with respect to business acquisition (Note 9) and (Note 12)	5,058,859		3,237,670		40,665		-		-		3,278,335
Unrenounced flow-through shares premium	-		(753,295)		-		-		-		(753,295)
Stock-based compensation (Note 14)	-		-		732,370		-		-		732,370
Net loss for the year	-		-		-		(3,175,778)		-		(3,175,778)
Other comprehensive income	-		-		-		-		25,855		25,855
Balance, December 31, 2016	**103,108,383**	**$**	**76,917,364**	**$**	**6,101,553**	**$**	**(22,981,182)**	**$**	**(810)**	**$**	**60,036,925**

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

TREASURY METALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

Years ended December 31,	**2016**	2015
Cash and cash equivalents (used in) provided by:		
Operating Activities		
Net loss for the year	**$ (3,175,778)**	$ (2,855,516)
Adjustments for:		
Net gain on debt settlement (Note 11)	**(390,872)**	-
Loss on sale of investments	**-**	90,165
Deferred income tax recovery (Note 17)	**(969,400)**	(340,700)
Stock-based compensation	**493,087**	223,020
Write-down of available for sale investments(Note 6)	**29,084**	-
Amortization of long-term debt transaction costs (Note 11)	**1,035,646**	554,808
Write-down of mineral properties and related deferred costs	**-**	472,180
Fair value change in derivative liability	**(44,487)**	-
Accrued interest on long-tem debt (Note 11)	**206,377**	-
Foreign exchange on long-term debt (Note 11)	**298,738**	-
	(2,517,605)	(1,856,043)
Net change in non-cash working capital items:		
Accounts receivable and prepaid expenses	**(536,986)**	62,172
Accounts payable and accrued liabilities	**1,155,898**	(11,704)
	(1,898,693)	(1,805,575)
Financing Activities		
Private placements, net of issue costs (Note 12)	**6,450,600**	2,245,850
Proceeds from long-term debt (Note 11)	**5,627,574**	1,500,000
Proceeds from sale of investments	**-**	134,995
Proceeds from bridge loan	**-**	500,000
Proceeds from related parties short-term loans (Note 11) & (Note 15)	**90,000**	75,000
Payments to related parties short-term loans (Note 11) & (Note 15)	**(165,000)**	-
Bridge loan repayment (Note 11)	**-**	(500,000)
Long-term debt repayments (Note 11)	**(5,221,863)**	(691,235)
Cash cost of debt settlement (Note 11)	**(100,000)**	-
Stock options and warrants exercised	**1,319,255**	45,000
Cash transaction costs of long-term debt (Note 11)	**(436,266)**	-
	7,564,300	3,309,610
Investing Activities		
Purchase of investments	**(124,614)**	-
Net cash used in business acquisition	**(148,661)**	-
Acquisition of property and equipment	**(12,188)**	(792)
Acquisition of mineral properties and related deferred costs	**(2,867,683)**	(2,188,836)
	(3,153,146)	(2,189,628)
Change in cash and cash equivalents	**2,512,461**	(685,593)
Cash and cash equivalents, beginning of the year	**345,122**	1,030,715
Cash and cash equivalents, end of the year (Note 4)	**$ 2,857,583**	$ 345,122

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

TREASURY METALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(EXPRESSED IN CANADIAN DOLLARS)

Years ended December 31,	**2016**	2015
Supplementary cash flow information		
Changes in non-cash activities:		
Fair value of shares, warrants and options issued for Goldeye acquisition (Note 9)	**$ 3,278,335**	$ -
Fair value of warrants issued for commission on private placement	**$ 60,000**	$ 43,525
Stock-based compensation capitalized to mineral properties and related deferred costs (Note 14)	**$ 239,283**	$ 81,982
Amortization capitalized to mineral properties and related deferred costs	**$ 82,274**	$ 73,076
Issuance of financier warrants (Note 13)	**$ 563,312**	$ -

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Treasury Metals Inc. (the "Company" or "Treasury Metals") is incorporated under the laws of Ontario and listed on the Toronto Stock Exchange under the symbol "TML". The address of the Company's registered office is 130 King Street West, Suite 3680, Toronto, Ontario, Canada. The mineral properties of Treasury Metals are all located in Canada and are in the exploration stage and, on the basis of information to date, do not yet have economically recoverable reserves. The recoverability of the amounts shown on the balance sheets for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, maintaining beneficial interest in its properties and the underlying mining claims, obtaining the necessary regulatory approvals and permits, the ability to obtain the necessary financing to fulfill its obligations as they arise, the ability to complete the development of the claims, and achieving profitable production or the proceeds from the disposition of the properties. The Company's success depends on the successful development of the properties and corresponding permitting and feasibility study. Based upon its current operating and financial plans, management of the Company believes that it will have sufficient access to financial resources (debt and equity) to fund the Company's planned operations and development of the Goliath Gold Project.

At December 31, 2016, the Company had a working capital deficiency of $4,742,404 excluding the non-cash unrenounced flow–through share premium liability (2015 – $5,142,361), had cash outflow from operations of $1,898,693 (2015 - $1,805,575) not yet achieved profitable operations, had accumulated losses of $22,981,182 (2015 - $19,805,404) and expects to incur further losses in the development of its business, all of which casts significant doubt upon the Company’s ability to continue as a going concern.

On March 30, 2017, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2016 and 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). The Company is following the same accounting policies and methods of computation in these financial statements as it did in the audited financial statements for the year ended December 31, 2015.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of December 31, 2016.

Principles of Consolidation

The consolidated financial statements include all entities over which the Company has control. For accounting purposes, control is established by an investor when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are no longer consolidated on the date control ceases.

The consolidated financial statements include the accounts of the Company and its wholly owned Canadian subsidiaries Goldeye Explorations Ltd. and Silvereye Explorations Ltd.

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Preparation

These consolidated financial statements are presented in Canadian dollars which is also the functional currency of the Company and its wholly owned Canadian subsidiaries.

The financial statements are prepared on the historical cost basis except for financial instruments which are measured at their fair value, as explained in the accounting policies set out in this note.

The accounting policies set out below have been applied consistently to the years presented in the consolidated financial statements.

Foreign Currency Translation

Foreign currency transactions are initially recorded into the functional currency at the transaction date exchange rate. At year end, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the balance sheet date's exchange rate and non-monetary assets and liabilities at the historical rate. These foreign currency adjustments are recognized in net loss of the consolidated statement of operations.

Cash and Cash Equivalents

The “cash and cash equivalents” category consists of cash in banks, call deposits and other highly liquid investments with initial maturities of three months or less or which are cashable without penalty.

Financial Instruments

Financial assets classified as fair value through profit and loss ("FVTPL") are measured at fair value, with any resultant gain or loss recognized in the consolidated statement of operations.

Financial instruments classified as being available for sale are measured at fair value, with any resultant gain or loss being recognized directly under other comprehensive income. When these investments are derecognized, the cumulative unrealized gain or loss previously recognized directly in equity is recognized in profit or loss.

The fair value of financial instruments classified as FVTPL and available for sale is their quoted bid price at the balance sheet dates.

Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method.
Other financial liabilities are initially measured at fair value, net of transaction costs and any embedded derivatives that are not closely related to the financial liability, with any resulting premium or discount from the face value being amortized to net loss using the effective interest method.

Hybrid financial instruments issued by the Company comprise of a U.S. dollar denominated convertible loan that can be converted into shares of the Company at the option of the holder at a specified conversion rate in Canadian dollars. Due to the loan being denominated in a currency other than the functional currency of the Company the conversion feature is classified as a derivative liability and presented within liabilities. The conversion feature is valued first with the residual being allocated to the host debt component. Related issue costs are allocated to each of the components on a relative fair value basis.

Transaction costs associated with FVTPL financial assets and financial liabilities are expensed as incurred, while transaction costs associated with all other financial assets and financial liabilities are included in the initial carrying amount of the asset or liability.

Impairment losses for the different financial assets and liabilities are recognized as follows:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Available for sale financial assets ("AFS"): When a decline in the fair value, including a significant or prolonged decline in value, of an available for sale financial asset has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity is transferred to profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss. Any further significant or prolonged decline in the fair value of these AFS investments, after an impairment loss is recognized, will be automatically considered to be further impairments to be recognized in profit and loss. Increases in value from the current carrying amount will be recognized in other comprehensive income. Impairment losses on AFS financial assets are not reversed.

Effective interest method: The effective interest method is a method of calculating the amortized cost of a financial asset and financial liability of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period. Income is recognized on an effective interest rate basis for debt instruments other than those financial assets at FVTPL.

Classifications of these financial instruments are as follows:

Cash and cash equivalents	Loans and Receivables
Accounts receivable and prepaid expenses	Loans and Receivables
Investments – Equity Instruments	AFS
Investments - Warrants	FVTPL
Accounts payable and accrued liabilities	Other financial liabilities
Long-term debt	Other financial liabilities
Derivative liability	FVTPL

Property and Equipment

i) Assets owned by the Company

Property and equipment are carried at historical cost less any accumulated depreciation and impairment losses. Historical cost includes the acquisition cost or production cost as well as the costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property and equipment include significant components with different useful lives, they are recorded and amortized separately. Useful life is reviewed at the end of each reporting period.

(ii) Leased assets

Assets financed by finance lease contracts, in terms of which the Company assumes substantially all the risks and rewards of ownership, are capitalized at the lower of the present value of future minimum lease payments and fair value and the related debt is recorded in the liabilities section of the consolidated balance sheet. These assets are depreciated on a straight-line basis over their estimated useful life. Amortization expenses on assets acquired under such leases are included in mineral properties and related deferred costs if directly related to mineral properties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

iii) Subsequent costs

The Company recognizes in the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognized in the statement of operations as an expense as incurred.

iv) Amortization

Amortization is calculated on straight-line and declining balance basis over the estimated useful lives of each part of an item of property and equipment. The estimated useful lives in the current and comparative year are as follows:

Building	4% Declining balance
Furniture and equipment	20% Declining balance
Vehicles under finance lease	Straight line over five years
Other vehicles	Straight line over five years

Mineral Properties and Related Deferred Costs

The Company defers exploration and evaluation expenditures until such time as technical and economic feasibility is reached and the properties are either put into commercial production, sold, determined not to be economically viable or abandoned. Capitalized expenditures include all the costs incurred in exploration and evaluation of potential mineral reserves and resources, such as exploratory drilling and sample testing and the costs of prefeasibility studies. Exploration expenditures are related to the initial search for deposits of minerals with economic value. Evaluation expenditures are related to the detailed economic assessments of identified deposits that are potentially economically viable.

Impairment

The Company continually reviews and evaluates the events or changes in the economic environment that indicates a risk of impairment of assets to determine whether the carrying amount of the asset or group of assets under consideration exceeds its or their recoverable amount. Impairment of the assets is evaluated at the cash generating unit ("CGU") level which is the smallest identifiable group of asset that generates cash inflows, independent of the cash inflows from other assets, as defined by IAS 36 "Impairment of assets". Recoverable amount is defined as the higher of an asset’s fair value (less costs to sell) and its value in use. The active market or a binding sale agreement provides the best evidence for the determination of the fair value, but where neither exists, fair value is based on the best information available to reflect the amount the Company could receive for the CGU in an arm's length transaction. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset.

Provisions

A provision is recognized on the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Asset Acquisition / Business Combination

In accordance with *IFRS 3 - Business Combination*, a transaction is recorded as a business combination if the significant assets, liabilities, or activities are assumed constitute a business. A business is defined as an integrated set of activities and assets, capable of being conducted and managed for the purpose of providing a return, lower costs, or other economic benefits. Where there are no such integrated activities, the transaction is treated as an asset acquisition. The acquisition of Goldeye Explorations Limited as further described in Note 9 was recorded as an asset acquisition whereby the cost of the net assets acquired was allocated to the fair value of the identifiable assets acquired and liabilities assumed.

Deferred Taxes

Pursuant to the liability method, deferred taxes are recorded for temporary differences existing at closing date between the tax base value of assets and liabilities and their carrying amount on the balance sheet.

- Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted at year-end. They are reviewed at the end of each year, in line with any changes in applicable tax rates.
- Deferred tax assets are recognized for all deductible temporary differences, carry forward of tax losses and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists, to make use of those deductible temporary differences, tax loss carry forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and which, at the transaction date, does not impact earnings, tax income or loss.
- Current tax and deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

Share Purchase Warrants

From time to time, the Company may issue Units as a means of raising capital. Ordinarily, each Unit contains one common share of the Company and a whole, or fraction of, a share purchase warrant. The Company allocates the proceeds from each unit to the common share and warrant components based on their relative fair value using the Black-Scholes pricing model. Transaction costs arising on the issue of Units are recognized in equity as a reduction of the proceeds allocated to issued capital and warrants on a prorata basis.

Flow-through Shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company.

At the time of issuance of the flow-through shares, the Company applies the residual method to measure the sale of tax deduction to the shareholders and records such amount as "Unrenounced flow-through share premium" on the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When the Company fulfills its obligation to pass on the tax deduction to the shareholders, the amount recorded as unrenounced flow-through share premium is recognized as deferred income taxes in the statement of operations and a deferred tax liability is recognized for the temporary tax difference. If the renouncement is prospective, the obligation is fulfilled when eligible expenditures are incurred. If the renouncement is retrospective, the obligation is fulfilled when the paperwork to renounce is filed.

Stock-based Compensation

The Company offers a share option plan. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured using the Black-Scholes option pricing model. Compensation expense is recognized as a charge to net loss or mineral property and related deferred costs over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. Any consideration paid on exercise of share options is credited to capital stock. The contributed surplus resulting from stock-based payment is transferred to capital stock when the options are exercised.

For equity settled transactions with non-employees, the Company measures goods or services received at their fair value, unless that fair value cannot be estimated reliably, in which case, the Company measures their value by reference to the fair value of the equity instruments granted.

Earnings (Loss) per Share

Basic earnings (loss) per share amounts are calculated by dividing net profit (loss) for the period attributable to common shareholders by the weighted average number of common shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares. The options and warrants of the Company are anti-dilutive as of December 31, 2016.

Segmental Reporting

The Company presents and discloses segmental information based on information that is regularly reviewed and evaluated by the chief operating decision maker.

The Company has determined that there was only one operating segment being the sector of exploration and evaluation of mineral resources.

Environment Rehabilitation Provision

The Company's activities could give rise to obligations for environmental rehabilitation which can include facilities dismantling, removal, treatment of waste materials, monitoring, compliance with environmental regulations, security and other site related costs required to perform the rehabilitation work. Any current expenditures regarding the environmental rehabilitation are charged to the cost of the project. No environmental rehabilitation provision is recorded by the Company as at December 31, 2016 and December 31, 2015.

Accounting Standards Issued but not yet Effective

At the date of authorization of these financial statements, the IASB has issued the following standard which is not yet effective for the relevant reporting period.

IFRS 9 Financial Instruments was issued in July 2014, and is intended to replace *IAS 39, Financial*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Instruments: Recognition and Measurement and uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39, and incorporates new hedge accounting requirements. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently evaluating the impact of the standard on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers was issued in May 2014, *and replaces IAS 18 Revenue, IAS 11 Construction Contracts* and related interpretations. The standard provides clarification for recognizing revenue from contracts with customers and establishes a single revenue recognition and measurement framework that applies to contracts with customers. The standard is required to be adopted either retrospectively or using a modified transaction approach for fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently evaluating the impact of the standard on the Company's financial statements.

IFRS 16 Leases was issued in January 2016 and replaces *IAS 17 Leases*. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the statement of financial position. IFRS 16 now requires lessees to recognize a right of use asset and lease liability reflecting future lease payments for virtually all lease contracts. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability accrues interest. The IASB has included an optional exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and obtain substantially all the economic benefits from that use. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if *IFRS 15, Revenue from Contracts with Customers*, is also applied. The Company is currently evaluating the impact of the standard on the Company's financial statements.

3. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in compliance with IFRS requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company's assets, liabilities, equity or earnings. These estimates and assumptions notably relate to the following items:

Impairment in mineral properties and related deferred costs - Management uses significant judgment in determining whether there is any indication that mineral properties and related deferred costs may be impaired.

Measurement of impairment in available-for-sale financial assets - The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statements of operations. The impairment loss recognized in the statements of operations is a reclassification of unrealized losses resulting from decline in fair value previously recorded in other comprehensive loss.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Significant or prolonged decline is defined by management as a decline in fair value of at least 50% below original cost or a decline in fair value below original cost for at least 24 months.

Acquisition method accounting - in the acquisition of Goldeye Explorations Ltd. ("Goldeye"), significant judgement was required to determine if that transaction represented a business combination or an asset purchase. More specifically, management concluded that Goldeye Explorations Ltd. did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs. Since it was concluded that the acquisition represented the purchase of assets, there was no goodwill generated on the transaction and acquisition costs were capitalized to the assets purchased rather than expensed.

Stock-based compensation and warrants - The Company generally utilizes the Black-Scholes option pricing model to determine the fair values of the stock-based payments and warrants. The Company uses significant judgement in the evaluation of the input variables in the Black-Scholes calculation which includes: risk free interest rate, expected stock price volatility, expected life, expected dividend yield.

Flow-through shares – The Company may issue flow through shares to fund a portion of its capital expenditure program. Pursuant to the terms of the flow through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. The difference between the value ascribed to flow through shares issued and the value that would have been received for common shares with no tax attributes is initially recognized as a liability. When the expenditures are incurred, the liability is drawn down, a deferred tax liability is recorded equal to the estimated amount of deferred income tax payable by the Company as a result of the renunciation and the difference is recognized as a deferred tax expense.

Deferred income taxes - In assessing the probability of realizing deferred income taxes, the Company makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, the Company gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred taxes. The Company reassesses unrecognized income tax at each reporting period.

Going Concern - The Company applies judgment in assessing whether material uncertainties exist that would cause doubt as to whether the Company could continue as a going concern.

(EXPRESSED IN CANADIAN DOLLARS)

4. CASH AND CASH EQUIVALENTS

The balances are comprised as follows:

		December 31, 2016		December 31, 2015
Cash	**$**	**1,610,427**	$	300,122
Funds in trust (i)		**1,202,156**		-
Cashable GIC		**45,000**		45,000
	$	**2,857,583**	$	345,122

(i) This account corresponds to the funds held by the trustee regarding the private placement closed on December 21, 2016; it was subsequently transferred to the Company.

5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

The balances are comprised as follows:

		December 31, 2016		December 31, 2015
Prepaid expenses and advances	**$**	**532,493**	$	105,686
Receivable from shareholders (Note 12)		**-**		163,800
Harmonized sales tax		**285,509**		29,692
Due from Laramide Resources Ltd. (Note 15)		**23,341**		-
Due from Forrester Metals Inc. (Note 15)		**19,354**		56,711
	$	**860,697**	$	355,889

6. INVESTMENTS

The Company's investments in shares are classified as available for sale ("AFS") and the warrants are classified as fair value through profit and loss ("FVTPL") investments, both are carried at fair value. The balance is comprised of the following:

	Number of Shares	**December 31, 2016**	Number of Shares	December 31, 2015
Forrester Metals Inc. - Shares	**1,930,600**	**$ 106,348**	-	$ -
Goldgroup Mining Inc. - Shares	**377,775**	**47,222**	69,850	5,239
Millrock Resources Inc. - Shares	**217,778**	**102,356**	-	-
Total AFS investments		**255,926**		5,239
Forrester Metals Inc. - Warrants	**1,105,600**	**23,729**	-	-
Goldgroup Mining Inc. - Warrants	**-**	**-**	307,925	4,106
Total FVTPL investments	**-**	**23,729**	-	4,106
Total Investments		**$ 279,655**		$ 9,345

During the year, the warrants of Goldgroup Mining Inc. were written off due to their continued fair value decrease, resulting in a reclassification of $29,084 loss from other comprehensive loss to the consolidated statement of operations. Subsequent to the write off the warrants increased in value and the Company exercised the warrants before their expiry on August 22, 2016. In the comparative year ended December 31, 2015 there was a $90,165 loss on the sale of 2,271,000 shares of Goldgroup Mining Inc.

(EXPRESSED IN CANADIAN DOLLARS)

7. PROPERTY AND EQUIPMENT

Cost	Land	Building	Furniture and equipment	Vehicles	Total
At January 1, 2016	$1,456,092	$1,061,062	$ 97,344	$ 125,107	$2,739,605
Additions	-	-	49,731	-	49,731
At December 31, 2016	$1,456,092	$1,061,062	$ 147,075	$ 125,107	$2,789,336
Accumulated amortization					
At January 1, 2016	$ -	$ (161,648)	$ (54,630)	$ (121,966)	$ (338,244)
Amortization for the year	-	(35,976)	(43,157)	(3,141)	(82,274)
At December 31, 2016	$ -	$ (197,624)	$ (97,787)	$ (125,107)	$ (420,518)
Net book value at December 31, 2016	**$1,456,092**	**$ 863,438**	**$ 49,288**	**$ -**	**$2,368,818**

Cost	Land	Building	Furniture and equipment	Vehicles	Total
At January 1, 2015	$1,456,092	$1,061,062	$ 96,552	$ 125,107	$ 2,738,813
Additions	-	-	792	-	792
At December 31, 2015	$1,456,092	$1,061,062	$ 97,344	$ 125,107	$ 2,739,605
Accumulated amortization					
At January 1, 2015	$ -	$ (124,172)	$ (44,050)	$ (96,946)	$ (265,168)
Amortization for the year	-	(37,476)	(10,580)	(25,020)	(73,076)
At December 31, 2015	$ -	$ (161,648)	$ (54,630)	$ (121,966)	$ (338,244)
Net book value at December 31, 2015	$1,456,092	$ 899,414	$ 42,714	$ 3,141	$2,401,361

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS

As of December 31, 2016 and 2015, the accumulated costs with respect to the Company's interest in mineral properties, consisted of the following:

	Balance January 1, 2016	Additions	**Balance December 31, 2016**
Goliath Gold Project	$ 57,720,987	$ 2,989,390	**$ 60,710,377**
Weebigee Project	-	3,990,179	**3,990,179**
Lara Polymetallic Project - BC	505,686	160,438	**666,124**
	$ 58,226,673	$ 7,140,007	**$ 65,366,680**

(EXPRESSED IN CANADIAN DOLLARS)

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

	Balance January 1, 2015	Additions/ (Write-off)	Balance December 31, 2015
Goliath Gold Project	$ 55,193,284	$ 2,527,703	$ 57,720,987
Lara Polymetallic Project - BC	483,699	21,987	505,686
Goldcliff Property	472,180	(472,180)	-
	$ 56,149,163	$ 2,077,510	$ 58,226,673

Goliath Gold Project

The Goliath Gold Project is located in the Kenora Mining Division in north-western Ontario, 20 km east of the City of Dryden and 325 km northwest of the port City of Thunder Bay.

The Goliath Gold Project consists of 126 contiguous unpatented mining claims (238 units) and 23 patented land parcels. The Company converted 11 mining claims into 3 mining leases during the period resulting in the decrease of the mining claims from 137 to 126. The total area of the project is approximately 5,049 hectares (~50 km^2) covering portions of Hartman and Zealand townships. The project comprises three historic properties which are now consolidated into one property: the larger Thunder Lake Property, purchased from Teck Resources (“Teck”) and Corona Gold Corporation (“Corona”) and the Laramide Property, transferred to the Company from Laramide Resources Ltd. ("Laramide"). The project area has been expanded from its original size through additional claim staking and land purchases/options. Certain underlying royalties and payment obligations remain on 13 of the 23 patented land parcels totaling approximately $105,000 per year.

On October 21, 2014, the Company filed its Environmental Impact Statement ("EIS") with the Canadian Environmental Assessment Agency ("CEAA") and on April 25, 2015, the CEAA confirmed that the EIS conforms to its guidelines. As a result, the Project moved into the public comment period and technical reviews by various federal agencies.

On June 30, 2015, CEAA submitted a series of Information Requests and comments back to the Company as part of their technical review process of the EIS. The Company has reviewed the requests and comments and is working to compile replies to these Information Requests.

In 2016 the Company was engaged in a drilling program to convert the underground "Inferred" category resources to the "Indicated" category within the main resource area. At December 31, 2016 a 12,000 metre drilling was completed. At the same time, the Company continued to work on the Information Request responses, as part of the Federal Government of Canada’s Environmental Impact Statement (“EIS”) review. Work continued on updating the Preliminary Economic Assessment ("PEA") which was subsequently completed and the results announced in March 2017.

The Goliath Gold Project comprises three underlying properties: the Laramide Property, Thunder Lake Property and the Brisson Property.

Laramide Property, Ontario

In 2007, the Company acquired from Laramide Resources Ltd., a related party company, a 100% interest in certain parcels of land, including surface and mineral rights totaling 411 acres in 3 patented land parcels, located in Zealand Township near Dryden, Ontario (collectively the “Laramide Property”). This interest is subject to a 2.0 - 2.5% net smelter returns ("NSR") retained by the owners.

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

Thunder Lake Property, Ontario

In 2007, the Company and Laramide Resources Ltd. finalized and signed an agreement pursuant to which, Treasury Metals purchased 100% of Corona’s and Teck’s respective interests in the Thunder Lake West, Thunder Lake East and certain adjacent properties in and around Dryden, Ontario (collectively the “Thunder Lake Property”).

Brisson Property, Ontario

In December 2009, the Company acquired a 100% interest in certain parcels of land in the District of Kenora. Under the terms of the agreement, the Company made option payments totaling $100,000 and issued common shares of the Company equal to $100,000 based on the market price at the date of issue.

Lara Polymetallic Project, British Columbia

In 2007, the Company acquired from Laramide a 100% interest in the Lara Property located in the Victoria Mining Division, near Chemainus on southern Vancouver Island, British Columbia. The Lara Polymetallic Project, of which a portion was formerly owned by Laramide, comprises 59 mineral claims covering approximately 6,392 hectares (~64 km^2) at December 31, 2015.

The Company is committed to a 1.0% NSR, held by Argus Metals Corp. (formerly Bluerock Resources Ltd) on 8 of the mineral claims, historically known as the Chemainus claims, located on Vancouver Island.

In 2010, only $5,173 was expended in this project and no significant expenditures in the near future were considered at that time; in addition, in early 2011 the annual mining leases on a significant portion of the property were not renewed. As a consequence, the estimated non-recoverable costs associated with this project were written off in 2010. In the year 2011, the Company renewed the mining leases of the most significant areas of this property and, therefore, it now owns the mining rights on these properties. In February 2016, the Company renewed the 59 claims outstanding at the year ended December 31, 2015.

During the year ended December 31, 2016, $160,438 (2015 - $21,987) was expended mainly on the renewal of the mining leases.

Goldcliff Property

In June 2010, the Company acquired the right to earn a 100% interest in four unpatented mining claims in the District of Kenora ("Kenora mining claims"). Under the terms of the Agreement, the Company is to make option payments totaling $90,500 and issue 80,000 common shares of the Company over a four-year period. These payments are required as follows: $8,500 and 20,000 common shares paid on signing of the agreement (paid), $12,000 and 20,000 common shares on or before June 23, 2011 (paid), $20,000 and 20,000 common shares on or before June 23, 2012 (paid), and $50,000 and 20,000 common shares on or before June 1, 2015. The last payment was not made and the Company has forfited the four claims.

In addition, the Company acquired through staking, 100% ownership in 45 unpatented mining claims that are contiguous with the Kenora mining claims. Some of the staked claims are subject to a one-kilometre area of interest and a 1% NSR (purchasable 100% by the Company for $750,000) as they relate to each of the four Kenora mining claims. At December 31, 2015, the Goldcliff Project is comprised of six claims (73 units) and covers approximately 1,168 hectares. In addition, the Johnson-Barkauskas Property has four claims (12 units) covering 192 hectares.

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

During the past years, the Company neither made any significant expenditure nor are there plans to make investments in the short-term to determine the potential value of the mineral resources of this project. Accordingly, in the year ended December 31, 2015 the Company recorded a write-off of the $472,180 book value of this property with the corresponding charge to the statement of operations. After such write-down, there is no book value for this property at December 31, 2015 and 2016 and any subsequent expenditure regarding this property is charged to the consolidated statements of operations.

Goldeye Explorations

On November 24, 2016, the Company closed the acquisition of all of the issued and outstanding common shares of Goldeye Explorations Limited ("Goldeye") a public company that holds certain properties. The details of the acquisition are disclosed in Note 9.

The Company acquired the following projects and NSR from Goldeye:

- Weebigee Project
- Van Hise Project – Larder Lake Mining Division, Ontario.
- English Township NSR – Larder Lake Mining Division, Ontario.
- Sonia Puma NSR – Region V, Chile in 2015.
- McFaulds Lake NSR – Thunder Bay Mining Division, Ontario.
- MacMurchy Township NSR – Larder Lake Mining Division, Ontario

All of the consideration in Note 9 has been allocated to the Weebigee Project. The Company currently plans to maintain the other properties but has not budgeted for significant exploration on those properties.

Weebigee Project

The Weebigee Project is located near Sandy Lake, north of Red Lake in Northwestern Ontario. The Company holds a 100% interest in the property, which comprises 225 claims. Certain claims are subject to a 2% NSR that is held by a director of the Company. On November 12, 2013, the Company entered into an exploration agreement with Sandy Lake First Nations (“SLFN”) with respect to the Company’s exploration of the Weebigee Project. This exploration agreement was renewed for a two-year period on the same terms commencing on November 12, 2014. This agreement was renewed on the same terms for a further two-year period. All claims are in good standing until 2017 or later.

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

On April 15, 2015, Goldeye entered into an option agreement (the "GPM Option Agreement") with GPM Metals Inc. ("GPM") whereby GPM has an option to earn a 50.1% interest in the Weebigee Project by paying a total of $550,000 in cash ($50,000 and $100,000 received in 2015 and 2016, respectively) and $25,000 in shares (issued in 2015) to Goldeye over a period of three years. GPM must also complete a minimum of $5,000,000 in exploration expenditures over a four-year term. In addition, if the first option is exercised, GPM will have the option to earn an additional 19.9% interest by either funding a bankable feasibility study, or at GPM's option, paying Goldeye an additional $1,500,000 in cash and completing a minimum additional $3,000,000 in exploration expenditures over the next two years. This option agreement is subject to the terms of the exploration agreement signed between Goldeye and SLFN on November 12, 2013. Subsequent to the GPM Option Agreement, GPM with support and assistance from Goldeye, staked additional claim units (the "Additional Interest") at Weebigee. On September 3, 2015, Goldeye elected, pursuant to the GPM Option Agreement to have the Additional Interest included as part of the Weebigee property. In April 2016, Goldeye tendered to GPM the amount required to pay for its share of the costs for 50% of the Additional Interest but GPM refused to accept the payment on the purported ground that Goldeye had forfeited its rights to the Additional Interest due to untimely payment of such amount. The Company and GPM are currently in arbitration to resolve the issue.

Gold Rock Project, Kenora Mining Division, Ontario

The Company's 100% owned Gold Rock Project is located near Dryden, Ontario and comprises two properties, the Gold Rock property, consisting of 20 claims and the Thunder Cloud property consisting of 1 claim. All claims at the Gold Rock Project are in good standing until 2018 or later with the exception of the claim at Thunder Cloud property, which is in good standing until 2017.

West Shining Tree Project – Larder Lake Mining Division, Ontario

The West Shining Tree Project consists of 53 claims in Fawcett, Leonard, MacMurchy and Tyrell townships, near Timmins in Northeastern Ontario. 52 of the claims are 100% owned by Goldeye and 1 claim is 50% owned by Goldeye and 50% owned by third parties. All claims are in good standing until 2017 or later. The property is subject to NSR ranging from 2% to 3% on certain claims in this area. On August 6, 2014, Goldeye received $30,000 from Creso Resources Inc. ("Creso") as settlement towards the dispute relating to Creso's termination of an option agreement on February 1, 2012. The option agreement was originally entered into in January 2010 whereby the Company optioned up to 75% of 23 claims in Tyrrell Township in the Shining Tree Project to Creso.

(EXPRESSED IN CANADIAN DOLLARS)

9. ACQUISITION OF GOLDEYE EXPLORATIONS LIMITED

On November 24, 2016, the Company closed the acquisition of all of the shares of Goldeye, a public company that holds the Weebigee Project. In accordance with IFRS 3, *Business Combinations,* this transaction does not meet the definition of a business combination as the assets acquired are not an integrated set of activities with inputs, processes and outputs.

The purchase price of $3,568,390 was allocated to the assets acquired and the liabilities assumed with financial instruments recorded at fair value and other non-financial assets and liabilities recorded at their relative fair values. The Company issued 5,058,859 common shares in exchange for all of the issued and outstanding common shares of Goldeye; in such a way, each former shareholder of Goldeye received 0.10 ("the exchange ratio") of one common share of the Company. After this issuance, the Company has 99,491,974 shares issued and outstanding, with former Goldeye shareholders holding approximately 5% on an undiluted basis. The Company has also authorized the issuance of up to 456,780 common shares upon the exercise of the Goldeye 1,085,000 options and 3,482,000 warrants outstanding prior to completion of the acquisition multiplied by the exchange ratio. The options and warrants were valued using the Black-Scholes option pricing model (see Note 13 and Note 14). The convertible loan payable by Goldeye relates to a $150,000 convertible debenture for interim working capital needs issued to Goldeye prior to the close of the acquisition. The loan bore interest at 8% per annum and was convertible into Goldeye shares at a price of $0.055 per share at any time prior to the closing of the acquisition. In addition, the Company incurred in costs related to the acquisition of $137,260.

Details of the acquisition are as follows:

Consideration	
Fair value of 5,058,859 shares issued in exchange for 50,588,590 Goldeye common shares outstanding	$ 3,237,670
Fair value of 108,500 options in exchange for 1,085,000 Goldeye options	16,413
Fair value of 348,280 warrants in exchange for 3,482,800 Goldeye warrants	24,252
Convertible loan payable by Goldeye	152,795
Transaction costs	137,260
Total consideration	$ 3,568,390

Fair Value of Net Assets Acquired	
Cash and cash equivalents	$ 141,394
Accounts receivable and prepaid expenses	23,192
Equipment	4,668
Investments	93,645
Mineral properties and related deferred costs	3,983,641
Accounts payable and accrued liabilities	(678,150)
Total net assets acquired	$ 3,568,390

(EXPRESSED IN CANADIAN DOLLARS)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The balances are comprised as follows:

	December 31, 2016	December 31, 2015
Trade accounts payable	**$ 2,166,955**	$ 655,681
Accrued liabilities	**444,020**	206,889
Taxes and payroll deductions payable	**60,601**	36,451
Due to Laramide Resources Ltd. (Note 15)	**-**	1,258
	$ 2,671,576	$ 900,279

11. LONG-TERM DEBT

The present value of the long-term debt at December 31, 2016 and 2015 is as follows:

	Debt (i)	Convertible Debt (i)	Other debts and Mortgage (ii)	**Total Debt December 31, 2016**
Loan amount	$ 2,953,940	$ 2,953,940	$ 211,515	**$ 6,119,395**
Unamortized transaction costs	(341,899)	(372,247)	-	**(714,146)**
Unaccreted amount	-	(433,112)	-	**(433,112)**
Fair value of the long term debt	2,612,041	2,148,581	211,515	**4,972,137**
Current portion of the debt	(2,612,041)	(2,148,581)	(141,486)	**(4,902,108)**
	$ -	$ -	$ 70,029	**$ 70,029**

	RMB Facility (iii)	Other Debt (iv)	Mortgage (ii)	Total Debt December 31, 2015
Loan amount	$ 5,000,000	$ 75,000	$ 312,398	$ 5,387,398
Unamortized transaction costs	(277,413)	-	-	(277,413)
Fair value of the long term debt	4,722,587	75,000	312,398	5,109,985
Current portion of the debt	(4,722,587)	-	(220,506)	(4,943,093)
	$ -	$ 75,000	$ 91,892	$ 166,892

(i) On June 17, 2016, the Company closed a long-term loan agreement for USD$4.4 million (CAD$5.9 million) with Extract Lending LLC and Extract Capital Master Fund Ltd. ("Extract") and Loinette Company Leasing Ltd. ("Loinette"). Extract and Loinette each contributed USD$2.2 million (CAD$2.95 million) of the loan. The proceeds were used in the repayment of the existing RMB Resources Inc. ("RMB") loan, the advancing of the Goliath Gold Project, and for general corporate purposes.

The terms set out in the loan agreement are as follows:

- The loan matures 15 months from the closing date.

- The Extract portion of the loan may be converted at Extract’s option, in part or in full, at any time, into common shares of the Company at $0.588 per share.

- The annual interest rate on the Extract portion is the 12-month LIBOR plus 6.5% and on the Loinette portion is the 12-month LIBOR plus 9%. Minimum LIBOR is set at 2%. The interest is payable monthly, in arrears.

11. LONG-TERM DEBT (Continued)

- The Facility is secured by a general security agreement, a debenture delivery agreement and demand debenture, which is secured by the Goliath Gold Project property, land, and mining claims in Kenora.

- An arrangement fee of USD$175,000 (CAD$225,365) was paid from the proceeds on the closing date.

- The Company issued 220,000 common shares of the Company to the lenders.

- Extract received 250,000 warrants with an exercise price of CAD$0.94 per common share valid for three years.

- The Company assigned to the lenders 3.0 million warrants previously owned by RMB which were subsequently extended by 12 months from their initial maturity. As a result of their expiry date extension, the fair value of the warrants has increased by $532,500 which was included as transaction cost of financing.

- The Company will provide the lenders a production fee of US$10 (CAD$13.43) per each ounce of gold and US$0.125 (CAD$0.17) per each ounce of silver produced from the Goliath Project ("Production Fee"). The Company shall have the option to repurchase the Production Fee. The repurchase price varies from US$750,000 (CAD$1,007,025) if the loan is repaid after six months from the closing date and on or before the maturity date, or US$1.0 million (CAD$1.34 million) if the loan is repaid after the maturity date. Notwithstanding the forgoing, during the first nine months of the term loan, the Company shall have the option to repurchase the Production Fee for USD$350,000 while any indebtedness remains outstanding under the term loan. Subsequent to the year ended December 31, 2016, the Company repurchased the Production Fee for USD$350,000.

Due to the loan being denominated in U.S. dollars, the conversion feature has been presented as a derivative liability, and upon issuance was assigned a fair value of $931,487 using the Black-Scholes option pricing model with the following assumptions: share price $0.55, dividend yield 0%, expected volatility, based on historical volatility 86.48%, a risk free interest rate of 0.85% and an expected life of 15 months. The residual of $1,882,313 was allocated to the host debt component. The cash and non-cash transaction costs of $245,692 and $377,562 respectively were allocated to the two components based on their relative fair values. The transaction costs allocated to the liability component were capitalized against the loan whereas the transaction costs allocated to the derivative liability were expensed through profit and loss. The effective interest rate of the debt and the convertible debt are 11% and 29%, respectively.

As at December 31, 2016, the derivative liability was assigned a fair value of $887,000 using the Black-Scholes option pricing model with the following assumptions: share price $0.60, dividend yield 0%, expected volatility, based on historical volatility 86.48%, a risk free interest rate of 0.85% and an expected life of 8.4 months. The fair value change of $44,487, from the date of issuance, has been recognized in the statements of operations.

Balance of liability component of convertible debt	December 31, 2016
Net balance upon issuance on June 17, 2016	$ 1,465,383
Accretion on convertible debt	321,934
Amortized transaction costs	276,692
Foreign exchange adjustment	84,572
	$ 2,148,581

(EXPRESSED IN CANADIAN DOLLARS)

11. LONG-TERM DEBT (Continued)

(ii) The detail of other debt and mortgage is as follows:

Balance at December 31,		**2016**		2015
Short-term loan from former director (a)	**$**	**30,000**	$	-
Short-term loan from related party (b)		**87,870**		-
Mortgage (c)		**93,645**		312,398
	$	**211,515**	$	312,398

(a) On April 29, 2016 a former director loaned $30,000 to the Company through a promissory note. This debt is interest free, unsecured and due on demand (Note 15).

(b) At December 31, 2016, the Company owes $87,870 of principal and interest to Calliope Investments Inc., an entity which his main shareholder is also a director of the Company. This debt is unsecured and bears an annual interest of 15% compounded quarterly and due on demand (Note 15).

(c) The mortgage is related to two purchase transactions of land and buildings located on the Goliath Gold Project properties. A first purchase for a total of $200,000 was made in November 2010 consisting of 120 monthly payments with annual interest rate of prime plus 3% expiring in October 2020 as per the chart presented below. In the comparative year ended December 31, 2015 it is presented a second mortgage which was fully repaid at December 31, 2016. This mortgage was for $500,000 and was undertaken on October 1, 2012 consisting of quarterly payments of interest until the maturity on October 1, 2014, with annual interest of 4%. The terms of this mortgage were rearranged consisting of a payment of $200,000 on October 1, 2014 (paid), a payment of $100,000 on October 1, 2015 (paid), and the balance of $200,000 paid on October 1, 2016, with annual interest of 10%.

The future principal payments of the outstanding mortgage are as follows:

		Total
2017	$	23,615
2018		23,309
2019		24,851
2020		21,870
Total mortgage	$	93,645

(iii) In the comparative year ended December 31, 2015, the Company had a $5 million feasibility funding facility agreement (the “Facility”) with RMB. The Facility was repaid on June 17, 2016. It bore interest at Canadian Dealer Offered Rate ("CDOR") plus 7.5% per annum.

In connection with the Facility, on February 18, 2014, 1.5 million financier warrants were issued to RMB at the drawdown of the first tranche with an expiry date of August 19, 2018; each warrant entitles RMB to purchase one common share of the Company at an exercise price of $0.395. A second set of 1.5 million financier warrants was issued on November 18, 2014, at the drawdown of $1 million from the second tranche with an expiry date of May 18, 2018, each warrant entitles RMB to purchase one common share of the Company at an exercise price of $0.35. At the date of the Facility repayment, the financier warrants were transferred to Loinette and Extract (see (i) above) with a one year expiry date extension.

(EXPRESSED IN CANADIAN DOLLARS)

11. LONG-TERM DEBT (Continued)

In connection with the settlement of the RMB debt and the warrants assigned to Extract and Loinette, as disclosed in the section (i) of this note and in the Note 13, the Company has allocated the settlement consideration to the debt and warrants based on their relative fair values at the date of settlement. As a result, the Company has recorded a net gain on debt settlement of $390,872, net of $100,000 paid for settlement fees, in the statement of operations and an adjustment to contributed surplus of $490,872 on settlement of the warrants.

Additional terms related to the RMB Facility were as follows:

- Pre-payment without penalty of amounts in a multiple of $250,000 and prior written notice of at least ten business days.

- The Facility was secured by a general security agreement, a debenture delivery agreement and demand debenture, which was secured by the Goliath property's land and mining claims in Kenora, granted by the Company in favour of RMB.

The Facility balance at the comparative year end dated December 31, 2015, was as follows:

	December 31, 2015
Drawn from first tranche	$ 3,000,000
Drawn from second tranche	2,000,000
Unamortized transaction costs	(277,413)
Present value of RMB Facility	$ 4,722,587

(iv) At December 31, 2015, in accounts payable and accrued liabilities account there was a related party loan of $75,000 bearing a monthly interest of 1.5%. In the current year, an additional $90,000 amount was loaned by the same related party and the $165,000 total loan was subsequently repaid in the second quarter of the year 2016.

(EXPRESSED IN CANADIAN DOLLARS)

12. CAPITAL STOCK

a) AUTHORIZED

Unlimited common shares

b) ISSUED

COMMON SHARES	Number of Shares	Stated Value
Balance, January 1, 2015	76,430,350	$ 64,860,522
Shares issued for cash in private placements	3,054,744	1,332,135
Flow through private placements	2,171,667	1,048,750
Shares issued, receivable at year end	468,000	163,800
Share issue costs	-	(135,036)
Issuance of compensation options	-	(39,870)
Issuance of warrants	-	(338,461)
Stock options exercised	150,000	45,000
Fair value of contributed surplus transferred on exercised options	-	41,595
Flow-through shares premium	-	(194,383)
Balance, December 31, 2015	82,274,761	$ 66,784,052
Shares issued for cash in private placements	9,351,905	4,353,700
Flow through private placements	3,587,117	2,618,595
Share issue cash costs	-	(521,695)
Issuance of compensation options	-	(60,000)
Issuance of warrants	-	(644,983)
Stock options and warrants exercised	2,615,741	1,319,255
Fair value of stock options and warrants exercised	-	463,065
Shares issued with respect to term loan	220,000	121,000
Issued with respect to business acquisition (Note 9)	5,058,859	3,237,670
Flow-through shares premium	-	(753,295)
Balance, December 31, 2016	103,108,383	$ 76,917,364

Private Placements

On December 21, 2016, the Company closed a non-brokered placement for aggregate gross proceeds of $2,618,595 through the issuance of 3,587,117 flow-through common shares at a price of $0.73 per flow-through share. The proceeds are to be used in the advancement of the Company's Goliath Gold Project and for general working capital purposes. The Company paid an aggregate cash finder's fee of $101,526 to certain parties in connection with this financing and $26,884 of other issue costs.

In connection with the Goldeye acquisition (see Note 9), on November 24, 2016, the Company issued 5,058,859 common shares at a fair market value of $3,237,670 in exchange for all of the issued and outstanding common shares of Goldeye. After this issuance, the former Goldeye shareholders hold approximately 5% of the capital stock on an undiluted basis.

In connection with the long-term debt agreement closed on June 17, 2016 (Note 11), the Company issued 220,000 common shares to the lenders at the fair market value of $0.55 each and incurred $10,798 in issue costs.

12. CAPITAL STOCK (Continued)

On May 18, 2016, the Company closed a brokered private placement for which it issued 6,258,000 units at a price of $0.48 per unit for aggregate gross proceeds of $3 million. In addition, the Company issued, on a non-brokered basis, 2,083,333 units at a price of $0.48 per unit to a strategic financial investor for additional gross proceeds of $1 million, resulting in total gross proceeds raised under the brokered and the non-brokered placements of $4 million. Each unit sold under the placements consists of one common share of the Company and one half of one common share purchase warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.70 for a period of 24 months from the date of issuance. The Company paid a cash commission of $184,550, $176,597 of other issue costs and issued an aggregate of 351,480 compensation options, valued at $60,000, to the broker in connection with the brokered financing. The Compensation Options are exercisable for 24 months following the closing date at an exercise price of $0.70 per common share. The net proceeds of the placements will be used to fund technical programs and mine permitting of the Company's Goliath Gold Project and for working capital and general corporate purposes. The common shares and warrants comprising the units, the compensation options, and any shares issued upon due exercise of the warrants and compensation options, are subject to a four-month hold period under applicable securities laws in Canada.

On January 13, 2016 the Company closed the final tranche of the private placement initiated in December 2015, and received $353,700 for 1,010,572 units, at a price of $0.35 per unit. Each unit consists of one common share and one half of one common share purchase warrant of the Company exercisable for a period of 36 months at $0.55 per share.The Company paid a cash finder fees of $22,960 and $9,178 of other issue costs.

On December 29, 2015 the Company closed the first tranche of a non-brokered placement for gross proceeds of $482,500 through the issuance of 425,000 units, at a price of $0.35 per unit and 741,667 flow-through common shares at a price of $0.45 per flow-through common share. Each unit consists of one common share and one-half of one common share purchase warrant of the Company exercisable for a period of 36 months at $0.55 per share. The common shares and warrants comprising the units, and any common shares issued upon due exercise of the warrants are subject to a four-month hold period under applicable securities laws in Canada. The Company paid an aggregate cash finder's fee of 7% to certain arm's length parties. The net proceeds are to be used in the advancement of the Company's Goliath Gold Project and for general working capital purposes. Subsequently, on January 13, 2016 the Company closed the final tranche and received $502,450 for 1,435,572 units, at a price of $0.35 per unit. At December 31, 2015, included in the first tranche there were 468,000 units for which $163,800 payment was not received until the year end due to administrative delay. These units were held by the Company until full payment was received in early January 2016.

On September 25 and 30, 2015 the Company closed a non-brokered placement for aggregate gross proceeds of $1,898,385 through the issuance of 2,629,744 units at a price of $0.45 per unit and 1.43 million flow-through common shares at a price of $0.50 per flow-through common shares. Each unit consists of one common share and one-half of one common share purchase warrant of the Company exercisable for a period of 36 months at $0.56 per share. The net proceeds are to be used in the advancement of the Company's Goliath Gold Project and for general working capital purposes. The Company paid an aggregate cash finder's fee of 6% and an aggregate of 200,732 compensation options to three arm's length parties. Each compensation option entitles the holder to purchase one common share at a price of $0.56 for a period of 36 months, subject to a four-month hold period under applicable securities laws in Canada.

13. WARRANTS

In connection with the Goldeye acquisition (Note 9), on November 24, 2016, the Company issued 348,280 warrants exercisable at a price between $0.50 and $1.00 per share, in different dates from December 17, 2016 to February 22, 2017 and were assigned a fair value of $24,252 using the Black-Scholes option pricing model with the following assumptions: share price $0.64, dividend yield 0%, expected volatility, based on historical volatility 73.64%, a risk free interest rate of 1.03% and an expected life of 8 months.

In connection with the debt agreements signed with Loinette and Extract (Note 11), on June 17, 2016, the Company executed the following transactions with warrants:

- Issued 250,000 warrants exercisable at a price of $0.94 per share until June 17, 2019. The warrants were assigned a fair value of $50,812 using the Black-Scholes option pricing model with the following assumptions: share price $0.55, dividend yield 0%, expected volatility, based on historical volatility 77.19%, a risk free interest rate of 1.30% and an expected life of 3 years.
- Transferred 1,500,000 financier warrants, previously owned by RMB, exercisable at a price of $0.395 per share until August 18, 2018 which is a one-year extension over the original expiry date. The transferred warrants were assigned a fair value of $232,500, as per their intrinsic value.
- Transferred 1,500,000 financier warrants previously owned by RMB, exercisable at a price of $0.35 per share until May 18, 2019 which is a one-year extension over the original expiry date. The transferred warrants were assigned a fair value of $300,000, as per their intrinsic value.

In connection with the brokered private placement (Note 12), on May 18, 2016, the Company issued 3,129,000 warrants exercisable within 24 months. The warrants are subject to a four-month hold period under applicable securities laws in Canada, at a price of $0.70 per share and were assigned a fair value of $534,144 using the Black-Scholes option pricing model with the following assumptions: share price $0.50, dividend yield 0%, expected volatility, based on historical volatility 80.32%, a risk free interest rate of 1.03% and an expected life of 2 years.

In connection with the non-brokered private placement (Note 12), on May 18, 2016, the Company issued 1,041,667 warrants exercisable within 24 months. The warrants are subject to a four-month hold period under applicable securities laws in Canada, at a price of $0.70 per share and were assigned a fair value of $177,820 using the Black-Scholes option pricing model with the following assumptions: share price of $0.50, dividend yield 0%, expected volatility, based on historical volatility of 80.32%, a risk free interest rate of 1.03% and an expected life of 2 years.

In connection with the May 18, 2016 private placement, the Company issued 351,480 agent warrants; each warrant entitles the holder to purchase one common share at a price of $0.70 per share for a period of 24 months, subject to a four-month hold period under applicable securities laws in Canada. These warrants were assigned a fair value of $60,000 using the Black-Scholes option pricing model with the following assumptions: share price of $0.50, dividend yield 0%, expected volatility, based on historical volatility of 80.32%, a risk free interest rate of 1.30% and an expected life of 2 years. The fair value of warrants issued is equivalent to the services received.

In connection with the second tranche of the private placement, on January 13, 2016, the Company issued 505,286 warrants exercisable for the following 36 months. The warrants are subject to a four-month hold period under applicable securities laws in Canada, at a price of $0.55 per share and were assigned a fair value of $73,547 using the Black-Scholes option pricing model with the following assumptions: share price $0.36, dividend yield 0%, expected volatility, based on historical volatility 79.72%, a risk free interest rate of 1.03% and an expected life of 3 years.

13. WARRANTS (Continued)

In connection with the first tranche of the private placement closed on December 29, 2015, the Company issued 234,000 warrants and 22,250 broker warrants, exercisable for the following 36 and 12 months, respectively. The 234,000 warrants are subject to a four-month hold period under applicable securities laws in Canada, at a price of $0.55 per share and were assigned a fair value of $38,294 using the Black-Scholes option pricing model with the following assumptions: share price $0.45, dividend yield 0%, expected volatility, based on historical volatility 75.95%, a risk free interest rate of 1.03% and an expected life of 3 years. The 22,250 broker warrants were assigned a fair value of $3,655 using the same assumptions, with the exception of their exercise price of $0.45 per share and their one year expected life.

In connection with the second tranche of the private placement closed on December 29, 2015, the Company issued 212,500 warrants exercisable for the following 36 months. The warrants are subject to a four-month hold period under applicable securities laws in Canada, at a price of $0.55 per share and were assigned a fair value of $35,347 using the Black-Scholes option pricing model with the following assumptions: share price $0.45, dividend yield 0%, expected volatility, based on historical volatility 75.95%, a risk free interest rate of 1.03% and an expected life of 3 years.

In connection with the private placement closed on September 25 and 30, 2015, the Company issued 1,148,538 and 166,331 warrants, respectively, exercisable for the following 36 months, subject to a four-month hold period under applicable securities laws in Canada, at a price of $0.56 per share. These warrants were assigned a fair value of $261,166 using the Black-Scholes option pricing model with the following assumptions: share price $0.45, dividend yield 0%, expected volatility, based on historical volatility 75.63%, a risk free interest rate of 1.30% and an expected life of 3 years.

(EXPRESSED IN CANADIAN DOLLARS)

13. WARRANTS (Continued)

The following table reflects the continuity of warrants:

	Number of Warrants 2016	Number of Warrants 2015	**Weighted Average Exercise Price 2016**	Weighted Average Exercise Price 2015
Balance, at beginning of year	**6,182,785**	4,600,416	**$ 0.49**	$ 0.49
Issued, on private placement units	**-**	1,314,869	**-**	0.56
Issued, on private placement units	**-**	234,000	**-**	0.55
Issued, on private placement units	**505,286**	212,500	**0.55**	0.55
Issued, on brokered placement (Note 12)	**3,129,000**	-	**0.70**	-
Issued, on non-brokered placement (Note 12)	**1,041,667**	-	**0.70**	-
Issued, agent warrants	**351,480**	-	**0.70**	-
Issued with respect to Goldeye acquisition (Note 9)	**334,000**	-	**1.00**	-
Issued with respect to Goldeye acquisition (Note 9)	**14,280**	-	**0.50**	-
Issued, broker warrants	**-**	22,250	**-**	0.45
Issued on debt agreement (Note 11)	**250,000**	-	**0.94**	-
Exercised	**(19,450)**	-	**0.45**	-
Exercised	**(429,492)**	-	**0.56**	-
Exercised	**(17,000)**	-	**0.55**	-
Exercised	**(375,000)**	-	**0.35**	-
Expired	**(80,000)**	(201,250)	**0.40**	0.50
Expired	**(1,319,166)**	-	**0.75**	-
Expired	**(8,680)**	-	**0.75**	-
Expired	**(24,000)**	-	**1.00**	-
Expired	**(2,800)**	-	**0.50**	-
At December 31	**9,532,910**	6,182,785	**$ 0.60**	$ 0.49

(EXPRESSED IN CANADIAN DOLLARS)

13. WARRANTS (Continued)

The issued and outstanding warrants are comprised as follows:

Expiry Date	Type	Warrants at December 31, 2016	Warrants at December 31, 2015	Exercise Price
May 1, 2016	Warrants	**-**	1,319,166	$ 0.75
December 15, 2016	Broker warrants	**-**	80,000	$ 0.40
February 22, 2017	Warrants	**210,000**	-	$ 0.39
February 22, 2017	Warrants	**5,600**	-	$ 0.39
February 22, 2017	Warrants	**100,000**	-	$ 0.39
August 18, 2018	Financier warrants	**1,500,000**	1,500,000	$ 0.39
May 18, 2019	Financier warrants	**1,125,000**	1,500,000	$ 0.35
September 24, 2018	Warrants	**719,046**	1,148,538	$ 0.56
September 24, 2018	Warrants	**166,331**	166,331	$ 0.56
December 24, 2018	Warrants	**217,000**	234,000	$ 0.55
December 24, 2016	Broker warrants	**-**	22,250	$ 0.45
January, 13, 2019	Warrants	**212,500**	212,500	$ 0.55
January, 13, 2019	Warrants	**505,286**	-	$ 0.55
May 18, 2018	Warrants	**3,129,000**	-	$ 0.70
May 18, 2018	Warrants	**1,041,667**	-	$ 0.70
May 18, 2018	Agent Warrants	**351,480**	-	$ 0.70
June 17, 2019	Warrants	**250,000**	-	$ 0.70
		9,532,910	6,182,785	

The weighted average life of the outstanding warrants at December 31, 2016 is 1.4 years (2015 - 1.9 years).

14. STOCK-BASED COMPENSATION

On December 5, 2016, the Board of Directors approved the issuance of 900,000 and 100,000 stock options to an officer and an employee, respectively, at an exercise price of $0.62. The 900,000 options have a three-year term, one third vest at date of issuance and two thirds vest 50% at each anniversary date. The $284,981 fair value assigned to the 900,000 options was estimated using the Black-Scholes option pricing model with the following assumptions: share price $0.62, dividend yield 0%, expected volatility 78.44% based on historical volatility, a risk free interest rate of 1.03%, and an expected life of 3 years. The 100,000 options have a 22-month term, vest 50% after the first six months and the remaining 50% after twelve months. The $31,480 fair value assigned to the 100,000 options was estimated using the Black-Scholes option pricing model with the following assumptions: share price $0.62, dividend yield 0%, expected volatility 81.12% based on historical volatility, a risk free interest rate of 1.03%, and an expected life of 22 months. The fair value of the options will be recognized in the statement of operations over the periods the options vest.

In connection with the Goldeye acquisition (Note 9), on November 24, 2016, the Company issued 108,500 stock options exercisable at prices between $0.50 and $1.50 per share, with expiry date on February 2017 and were assigned a fair value of $16,413 using the Black-Scholes option pricing model with the following assumptions: share price $0.64, dividend yield 0%, expected volatility, based on historical volatility between 77.51% and 86.22%, a risk free interest rate of 1.03% and an expected life according to their expiration date.

14. STOCK-BASED COMPENSATION (Continued)

On July 19, 2016, the Company granted a total of 2,250,000 options to officers, directors, employees and consultants to buy common shares at an exercise price of $0.63 each. These options vest at the date of grant and expire on October 19, 2018. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price $0.63, dividend yield 0%, expected volatility 77.64% based on historical volatility, a risk free interest rate of 1.30%, and an expected life of 2.25 years. As a result, the fair value of the options was estimated at $634,773 and is recognized at the date of grant.

On January 16, 2016, the Board of Directors approved the issuance of 150,000 stock options to an officer. The stock options have a three-year term, vest 50% after the first six months and the remaining 50% after twelve months, and have an exercise price of $0.40. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price $0.39, dividend yield 0%, expected volatility 80.03% based on historical volatility, a risk free interest rate of 1.30%, and an expected life of 3 years. As a result, the fair value of the options was estimated at $30,131 and will be recognized over the periods the options vest.

In connection with the September 24 and 25, 2015 private placement, the Company issued 200,732 compensation options; each compensation option entitles the holder to purchase one common share at a price of $0.56 per share for a period of 36 months, subject to a four-month hold period under applicable securities laws in Canada. These compensation options were assigned a fair value of $39,870 using the Black-Scholes option pricing model with the following assumptions: share price $0.45, dividend yield 0%, expected volatility, based on historical volatility 75.63%, a risk free interest rate of 1.30% and an expected life of 3 years.

On June 16, 2015, the Company granted 175,000 options to a consultant to purchase common shares at an exercise price of $0.38 each. These options vest at a rate of 50% every six months after the date of grant and expire on June 16, 2018. As the fair value of services received cannot be estimated reliably, the option value has been measured using the Black-Scholes option pricing model with the following assumptions: share price $0.38, dividend yield 0%, expected volatility 71.95% based on historical volatility, a risk free interest rate of 1.30%, and an expected life of 2 years. As a result, the fair value of the options was estimated at $26,403 and will be recognized over the periods the options vest.

On April 30, 2015, the Company granted a total of 2,725,000 options to officers, directors, employees and consultants to purchase common shares at an exercise price of $0.35 each. These options vest at a rate of 50% every six months after the date of grant and expire on April 30, 2018. As the fair value of services received cannot be estimated reliably, the option value has been measured using the Black-Scholes option pricing model with the following assumptions: share price $0.30, dividend yield 0%, expected volatility 73.21% based on historical volatility, a risk free interest rate of 1.30%, and an expected life of 2 years. As a result, the fair value of the options was estimated at $291,751 and will be recognized over the periods the options vest.

Treasury Metals has a 10% rolling stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. As at December 31, 2016, the Company has an additional 3,996,667 (2015 – 1,412,476) options available for issuance under the plan.

During the year ended December 31, 2016, the stock-based compensation charged to mineral properties and related deferred costs amounted $239,283 (2015 - $81,982).

The Company estimates expected life of options and expected volatility based on historical volatility, which may differ from actual outcomes.

(EXPRESSED IN CANADIAN DOLLARS)

14. STOCK-BASED COMPENSATION (Continued)

Continuity of the unexercised options to purchase common shares is as follows:

	Number of Stock Options 2016	Number of Stock Options 2015	**Weighted Average Exercise Price 2016**	Weighted Average Exercise Price 2015
Balance, at beginning of year	**7,015,732**	4,115,000	**$ 0.46**	$ 0.52
Options granted	**2,250,000**	2,725,000	**0.63**	0.35
Options granted	**150,000**	175,000	**0.40**	0.38
Options granted	**1,000,000**	-	**0.62**	-
Compensation options granted	**-**	200,732	**-**	0.56
Issued with respect to business acquisition (Note 9)	**40,000**	-	**0.50**	-
Issued with respect to business acquisition (Note 9)	**48,500**	-	**1.00**	-
Issued with respect to business acquisition (Note 9)	**20,000**	-	**1.50**	-
Exercised	**(370,000)**	(150,000)	**0.50**	0.30
Exercised	**(120,000)**	-	**0.35**	-
Exercised	**(74,799)**	-	**0.56**	-
Exercised	**(1,210,000)**	-	**0.55**	-
Expired	**(400,000)**	-	**0.55**	-
Expired	**(1,160,000)**	-	**0.50**	-
Expired	**(210,000)**	(50,000)	**0.50**	0.52
Expired	**(90,000)**	-	**0.55**	-
Expired	**(30,000)**	-	**0.35**	-
Balance, at December 31	**6,859,433**	7,015,732	**$ 0.52**	$ 0.46

The weighted average life of the outstanding options at December 31, 2016 is 1.7 years (2015 - 1.3 years). The weighted average market value of the shares when the options were exercised in the current year was $0.52 (2015 - $0.42).

(EXPRESSED IN CANADIAN DOLLARS)

14. STOCK-BASED COMPENSATION (Continued)

The outstanding options are comprised as follows:

Grant Date	Expiry Date	Number of Stock Options at December 31, 2016	Number of Stock Options at December 31, 2015	Exercise Price
March 6, 2013	March 6, 2016	**-**	1,740,000	$0.50
March 7, 2014	September 7, 2016 (i)	**475,000**	2,175,000	0.55
November 24, 2016	February 22, 2017	**3,500**	-	1.00
November 24, 2016	February 22, 2017	**20,000**	-	1.50
November 24, 2016	February 22, 2017	**25,000**	-	1.00
November 24, 2016	February 22, 2017	**20,000**	-	1.00
November 24, 2016	February 22, 2017	**20,000**	-	0.50
November 24, 2016	February 22, 2017	**20,000**	-	0.50
April 30, 2015	April 30, 2018	**2,575,000**	2,725,000	0.35
June 16, 2015	June 16, 2018	**175,000**	175,000	0.38
September 24, 2015	September 24, 2018	**125,933**	200,732	0.56
January 16, 2016	January 16, 2019	**150,000**	-	0.40
July 19, 2016	October 19, 2018	**2,250,000**	-	0.63
December 5, 2016	December 5, 2019	**900,000**	-	0.62
December 5, 2016	October 19,2018	**100,000**	-	0.62
		6,859,433	7,015,732	

(i) The expiry date was extended until the end of a black-out period to January 27, 2017. All of these options subsequently expired on that date.

At December 31, 2016, 6,146,433 of the outstanding options are exercisable (2015 - 5,365,000).

15. RELATED PARTY DISCLOSURES

Certain corporate entities that are related to the Company's officers and directors provide services to Treasury Metals. At December 31, 2016, there is $23,341 of net accounts receivable from Laramide Resources Ltd (2015 – net payable of $1,258), and $19,354 of accounts receivable from Forrester Metals Inc. (2015 - $56,711), both companies have a director and an officer in common with Treasury Metals Inc. During the year Laramide charged $206,256 (2015 - $206,238) for office space rent, and other expenditures paid by Laramide on behalf of the Company and the Company charged $46,175 of shared expenditures paid on behalf of Laramide (2015 - $68,377). Transactions of $3,686 with Forrester Metals Inc. are for shared administrative and general expenditures paid by the Company on its behalf during the year (2015 - $30,839).

At December 31, 2015 there was a $75,000 loan from a Company who has one director in common with Treasury Metals Inc. In the first quarter of 2016, an additional $90,000 was loaned by this party; The Company repaid the full amount of the loan in the second quarter of 2016 (Note 11).

At December 31, 2016, the current portion of long-term debt account includes $117,870 of accounts payable to former officers of Goldeye (Note 11). Also, in the accounts payable and accrued liabilities account there is $57,343 of accounts payable to a former officer of Goldeye.

Transactions with related parties were conducted in the normal course of operations.

(EXPRESSED IN CANADIAN DOLLARS)

16. KEY MANAGEMENT COMPENSATION

Key management includes the Chief Executive Officer, Chief Financial Officer and directors of the Company.

The compensation payable to key management is shown below:

Years ended December 31		2016		2015
Salaries	**$**	**496,961**	$	287,500
Director fees		**129,805**		113,558
Stock-based compensation, at fair value		**597,253**		157,920
	$	**1,224,019**	$	558,978

17. INCOME TAX

The Company's income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate of 26.5%. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company's effective tax rate is as follows:

		2016		2015
Loss before income taxes	**$**	**(4,145,178)**	$	(3,196,216)
Expected income tax recovery		**(1,088,600)**		(847,000)
Stock-based compensation		**194,100**		80,800
Effects of renouncing flow-through expenditures		**277,900**		212,000
Other		**(79,300)**		433,500
Flow-through share premium		**(194,400)**		(220,000)
Change in tax benefits not recognized		**(79,100)**		-
Income tax recovery reflected in the statement of operations	**$**	**(969,400)**	$	(340,700)

The Company's income tax recovery is allocated as follows:

Deferred tax recovery	**$**	**(969,400)**	$	(340,700)

(EXPRESSED IN CANADIAN DOLLARS)

17. INCOME TAX (Continued)

The Company's deferred tax assets and liabilities as at December 31, 2016 and 2015:

Deferred income tax assets		**2016**		2015
Undeducted finance costs	**$**	**342,200**	$	197,900
Excess book value of investments		**10,200**		10,300
Excess book value of property and equipment		**64,700**		51,600
Excess book value of derivative liabilities		**235,100**		-
Capital losses carried forward		**475,000**		682,100
Non-capital losses carried forward		**3,623,200**		2,451,700
Intangible assets		**214,000**		230,100
	$	**4,964,400**	$	3,623,700
Less: allocated against deferred income tax liabilities	**$**	**(4,079,700)**	$	(2,659,900)
Less: unrecognized deferred tax asset	**$**	**(884,700)**	$	(963,800)
Deferred income tax assets	**$**	**-**	$	-

Deferred income tax Liabilities		**2016**		2015
Deferred exploration expenses	**$**	**(6,204,800)**	$	(5,847,500)
Excess tax value on convertible debt	**$**	**(287,400)**	$	-
Less: reduction due to allocation of applicable deferred income tax assets		**4,079,700**		2,659,900
Net deferred tax liability	**$**	**(2,412,500)**	$	(3,187,600)

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

2027	$ 64,600
2028	591,800
2029	173,200
2030	396,000
2031	1,077,700
2032	1,299,500
2033	1,473,600
2034	2,213,800
2035	2,942,300
2036	3,400,300
	$13,632,800

18. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company is committed to spend $2,618,595 on Canadian exploration costs as part of its flow-through funding agreement dated on December 21, 2016. At December 31, 2016 the Company has spent $71,774.

19. FINANCIAL RISK FACTORS

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers capital from two perspectives: its working capital position and its capital stock, warrant, and stock option components of its shareholders' equity.

At December 31, 2016, the Company has a working capital deficiency of $4,742,404 excluding the non-cash unrenounced flow-through share premium liability (2015 - Deficiency of $5,142,361); Capital stock and contributed surplus total $83,018,917 (2015 - $71,778,212).

To effectively manage the Company's capital requirements, the management has in place a rigorous planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient committed loan facilities and planned future capital raises to meet its short-term business requirements, taking into account its anticipated cash flow from operations and its holding of cash and cash equivalents and money market investments.

At December 31, 2016, the Company expects its capital resources and projected future cash flows from financing to support its normal operating requirements on an ongoing basis, and planned development and exploration of its mineral properties and other expansionary plans. At December 31, 2016, there were certain externally imposed capital requirements related to the long term debt, to which the Company is subject and with which the Company was not in compliance.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

There were no changes in the Company's approach to capital management during the year ended December 31, 2016.

Risk Disclosures

Exposure to credit, interest rate and currency risks arises in the normal course of the Company’s business.

19. FINANCIAL RISK FACTORS (Continued)

Credit Risk

The Company has cash and cash equivalents balance of $2,857,583 (2015 - $345,122) and accounts receivable of $328,204 (2015 - $250,203). The Company's current policy is 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. There is no significant credit risk with respect of receivables.

Interest Rate Risk

The Company has exposure to interest rate risk since its long-term debt has an interest rate of 12-month LIBOR plus 6.5% and 9%.

Foreign Currency Risk

The Company is exposed to foreign currency risk on financial assets and liabilities that are denominated in a currency other than the Canadian dollar. The currency giving rise to this risk is primarily the U.S. dollar, the balance of net monetary liabilities in such currency as of December 31, 2016 is $5,261,383 (2015 - $42,495).

Liquidity Risk

The Company is exposed to liquidity risk primarily as a result of its trade accounts payable and its debt. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2016, the Company had a cash and cash equivalents balance of $2,857,583 (2015 - $345,122) to settle current liabilities of $8,460,684 (2015 - $5,843,372), excluding the non-cash unrenounced flow-through share premium liability. All of the Company's trade accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms. The Company relies on external financing to generate sufficient operating capital and the management believes it will be able to raise any required funds in the short-term.

Sensitivity Analysis

As at December 31, 2016 and 2015, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Based on management's knowledge and experience of the financial markets, the Company believes the following movement is "reasonably possible" over a twelve-month period.

i) The Company is exposed to interest rate risk on LIBOR fluctuations for its long-term debt. A variance of 1% in the 12-month LIBOR will affect the annual Company's net comprehensive loss by approximately $59,079.

ii) The Company is exposed to foreign currency risk on fluctuations of balances that are denominated in US currency related to cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect the net comprehensive loss by $526,138.

iii) The Company is exposed to market risk as it relates to its investments held in marketable securities. If market prices had varied by 10% from their December 31, 2016 fair market value positions, the comprehensive loss would have varied by $27,966.

(EXPRESSED IN CANADIAN DOLLARS)

19. FINANCIAL RISK FACTORS (Continued)

Fair Value Hierarchy

The Company has designated its warrants as FVTPL financial assets, and investments in shares as available for sale, which are measured at fair value. The derivative liability is classified as FVTPL and is measured at fair value with unrealized gains or losses reported in the consolidated statement of operations.

Accounts payable and accrued liabilities and the long-term debt are considered as other financial liabilities, which are measured at amortized cost which also approximates fair value.

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where fair value measurement is required. The fair value of long-term debt approximates their carrying amount due to the effective interest rate being close to the market rate. Fair value amounts represent point in time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data. The carrying value of cash and cash equivalents and investments approximate their fair value.

December 31, 2016:	Level One	Level Two	Level Three
Cash and cash equivalents	$ 2,857,583	$ -	$ -
Investments	255,926	23,729	-
Derivative liability	-	887,000	-
	$ 3,113,509	$ 910,729	$ -

December 31, 2015:	Level One	Level Two	Level Three
Cash and cash equivalents	$ 345,122	$ -	$ -
Investments	9,345	-	-
	$ 354,467	$ -	$ -

There have been no transfers between levels 1, 2 or 3 during the year.