# AURVISTA GOLD CORPORATION

# FINANCIAL STATEMENTS

# YEARS ENDED

# DECEMBER 31, 2016 AND 2015

# (EXPRESSED IN CANADIAN DOLLARS)

**Stern & Lovrics** LLP
Chartered Accountants

Samuel V. Stern, BA, CPA, CA
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Nazli Dewji, BA, CPA, CMA

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Aurvista Gold Corporation

We have audited the accompanying financial statements of Aurvista Gold Corporation (the Company), which comprise the statements of financial position as at December 31, 2016 and 2015 and the statements of loss and comprehensive loss, changes in 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 Financial Statements*

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

*Auditor's Responsibility*

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

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

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

*Opinion*

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

*Emphasis of Matter*

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

Toronto, Ontario
April 26, 2017

Stern & Lovrics LLP

Chartered Accountants
Licensed Public Accountants

# Aurvista Gold Corporation
**Statements of Financial Position**
**(Expressed in Canadian dollars)**

| | As at December 31, 2016 | As at December 31, 2015 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents (note 5) | **$ 4,734,942** | $ 257,735 |
| Marketable securities (note 6) | **113,400** | 48,600 |
| Other receivables (note 11) | **-** | 114,165 |
| Sales taxes receivable | **277,499** | 109,817 |
| Mining exploration tax credit receivable (note 11) | **100,000** | 100,000 |
| Prepaid expenses | **82,783** | 27,670 |
| **Total current assets** | **5,308,624** | 657,987 |
| Property and equipment (note 7) | **456** | 2,275 |
| **Total assets** | **$ 5,309,080** | $ 660,262 |
| **EQUITY (DEFICIENCY) AND LIABILITIES** | | |
| **Current liabilities** | | |
| Trade accounts payable and accrued liabilities | **$ 736,812** | $ 312,574 |
| Contingent liabilities (note 19) | **242,000** | 442,000 |
| | **978,812** | 754,574 |
| **Equity (Deficiency)** | | |
| Share capital (note 12) | **34,839,323** | 32,014,380 |
| Reserves | **5,473,029** | 912,567 |
| Accumulated other comprehensive loss | **(208,918)** | (273,718) |
| Deficit | **(35,773,166)** | (32,747,541) |
| **Total equity (deficiency)** | **4,330,268** | (94,312) |
| **Total equity (deficiency) and liabilities** | **$ 5,309,080** | $ 660,262 |

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

Nature of operations (note 1)
Subsequent events (note 20)

**Approved on behalf of the Board:**

"R. Bryan Keeler", Director

"Robert A. Mitchell", Director

## Aurvista Gold Corporation
**Statements of Loss and Comprehensive Loss**
**(Expressed in Canadian dollars)**

| | Year Ended December 31, 2016 | Year Ended December 31, 2015 |
|---|---|---|
| **Operating expenses** | | |
| Exploration and evaluation expenditures (note 9) | **$ (1,788,976)** | $ (460,557) |
| General and administrative (note 15) | **(1,242,829)** | (540,003) |
| Finance income | **1,404** | 3,779 |
| Finance (expense) (note 12(b)(ii)) | **(122,454)** | (32,046) |
| Premium on flow-through shares | **127,230** | - |
| **Net loss for the year** | **$ (3,025,625)** | $ (1,028,827) |
| **Other comprehensive loss** | | |
| **Items that will be reclassified subsequently to income** | | |
| Net change in available for sale financial assets | **$ 64,800** | $ (32,400) |
| **Other comprehensive loss for the year** | **64,800** | (32,400) |
| **Total comprehensive loss for the year** | **$ (2,960,825)** | $ (1,061,227) |
| **Basic and diluted net loss per share** (note 18) | **$ (0.035)** | $ (0.015) |
| **Weighted average number of common shares outstanding** | **86,300,449** | 69,511,617 |

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

# Aurvista Gold Corporation
**Statements of Cash Flows**
**(Expressed in Canadian dollars)**

| | Year Ended December 31, 2016 | Year Ended December 31, 2015 |
|---|---|---|
| **Operating activities** | | |
| Net loss for the year | **$ (3,025,625)** | $ (1,028,827) |
| Adjustments for: | | |
| Amortization | **1,819** | 1,819 |
| Premium on flow-through shares | **(127,230)** | - |
| Share-based payments | **392,204** | 39,350 |
| Changes in non-cash working capital items: | | |
| Other receivables | **114,165** | (112,977) |
| Sales taxes receivable | **(167,682)** | 104,092 |
| Mining exploration tax credit receivable | **-** | 267,582 |
| Prepaid expenses | **(55,113)** | (4,822) |
| Trade accounts payable and accrued liabilities | **424,238** | 57,507 |
| Contingent liabilities | **(200,000)** | - |
| **Net cash used in operating activities** | **(2,643,224)** | (676,276) |
| **Financing activities** | | |
| Proceeds from issuance of units | **7,597,180** | - |
| Share issue costs | **(524,544)** | - |
| Repayments of secured loan | **-** | (289,496) |
| Proceeds from secured loan, net of costs | **-** | 221,914 |
| Proceeds from warrant exercise | **47,795** | - |
| **Net cash provided by (used in) financing activities** | **7,120,431** | (67,582) |
| **Net change in cash and cash equivalents** | **4,477,207** | (743,858) |
| **Cash and cash equivalents, beginning of year** | **257,735** | 1,001,593 |
| **Cash and cash equivalents, end of year** | **$ 4,734,942** | $ 257,735 |

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

## Aurvista Gold Corporation
**Statements of Changes in Equity**
**(Expressed in Canadian dollars)**

**Equity (deficiency) attributable to shareholders**

| | Share capital | Reserves: Share-based payments reserve | Reserves: Warrants reserve | Accumulated other comprehensive loss | Deficit | Total |
|---|---|---|---|---|---|---|
| **Balance, December 31, 2015** | **$ 32,014,380** | **$ 912,567** | **$ -** | **$ (273,718)** | **$ (32,747,541)** | **$ (94,312)** |
| Private placement - flow-through units | 508,920 | - | - | - | - | 508,920 |
| Private placement - common share units | 7,088,260 | - | - | - | - | 7,088,260 |
| Valuation of warrants issued | (4,180,462) | - | 4,180,462 | - | - | - |
| Share issuance costs | (524,544) | - | - | - | - | (524,544) |
| Premium on flow-through shares | (127,230) | - | - | - | - | (127,230) |
| Warrants exercised | 47,795 | - | - | - | - | 47,795 |
| Valuation of warrants exercised | 12,204 | - | (12,204) | - | - | - |
| Share based payments | | 392,204 | - | - | - | 392,204 |
| Net loss for the year | - | - | - | - | (3,025,625) | (3,025,625) |
| Other comprehensive loss | - | - | - | 64,800 | - | 64,800 |
| **Balance, December 31, 2016** | **$ 34,839,323** | **$ 1,304,771** | **$ 4,168,258** | **$ (208,918)** | **$ (35,773,166)** | **$ 4,330,268** |

| | Share capital | Reserves: Share-based payments reserve | Reserves: Warrants reserve | Accumulated other comprehensive loss | Deficit | Total |
|---|---|---|---|---|---|---|
| **Balance, December 31, 2014** | **$ 32,014,380** | **$ 873,217** | **$ 27,820** | **$ (241,318)** | **$ (31,746,534)** | **$ 927,565** |
| Warrant expiry | - | - | (27,820) | - | 27,820 | - |
| Share based payments | - | 39,350 | - | - | - | 39,350 |
| Net loss for the year | - | - | - | - | (1,028,827) | (1,028,827) |
| Other comprehensive income | - | - | - | (32,400) | - | (32,400) |
| **Balance, December 31, 2015** | **$ 32,014,380** | **$ 912,567** | **$ -** | **$ (273,718)** | **$ (32,747,541)** | **$ (94,312)** |

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

## 1. Nature of operations

Aurvista Gold Corporation (the “Company” or “Aurvista”) is a company domiciled in Canada. Aurvista was incorporated on June 3, 2010 under the Ontario Business Corporations Act and was continued under the Canada Corporations Act by articles of continuance dated June 22, 2011. The address of the Company's registered office is 250 Place d'Youville, 2e etage, Montreal, Quebec, H2Y 2B6. The Company is primarily involved in the exploration of mineral resources.

These financial statements have been prepared on the basis of the going concern assumption, in other words, the Company will be able to realize its assets, discharge its liabilities and pursue its mining exploration program in the normal course of operations. The Company has a working capital surplus at December 31, 2016 of $4,329,812. Management is of the opinion that the Company will be able to meet its first half exploration plan, which is approximately $4,800,000, and can keep its properties in good standing for at least the next twelve months.

The Company has not yet determined whether its mining properties contain mineral deposits that are economically recoverable and has an accumulated deficit of $35,773,166. These conditions, raise questions regarding the Company’s ability to continue as a going concern.

The Company’s financial statements do not include any adjustments to the assets carrying amount, to the expenses presented and to the reclassification of the balance sheet items that could be necessary should the Company be unable to continue its operations.

## 2. Significant accounting policies

*Statement of compliance*

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The policies applied in these financial statements are based on IFRSs issued and outstanding as of April 26, 2017, the date the Board of Directors approved the statements.

The policies applied in these financial statements are based on IFRS issued and outstanding as of April 26, 2017, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these financial statements as compared with the most recent annual financial statements as at and for the year ended December 31, 2015. Any subsequent changes to IFRS that are given effect in the Company’s annual financial statements for the year ending December 31, 2016 could result in restatement of these financial statements.

*Basis of measurement*

The financial statements have been prepared on the historical cost basis except for the following items in the statements of financial position:

- financial instruments at fair value through profit or loss are measured at fair value.
- available-for-sale financial assets are measured at fair value.

In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. The Company has elected to present the statement of loss and comprehensive loss in a single statement.

*Functional and presentation currency*

These financial statements are presented in Canadian dollars, which is the Company's functional currency.

## 2. Significant accounting policies (continued)

*Use of estimates and judgements*

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are as follows:

(i) Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management 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, management 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 whether relevant tax planning opportunities are within the Company's control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. 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 or liabilities recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

(ii) Share-based payments

Management determines costs for share-based payments using the Black-Scholes option pricing model. The fair value of the market-based and performance-based share awards are determined at the date of grant and incorporates Black-Scholes input assumption's including the future volatility of the stock price, expected dividend yield, and expected life. Such judgements and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

(iii) Warrants

Management determines the fair value of warrants using the Black-Scholes option pricing model. The fair value incorporates Black-Scholes input assumption's including the future volatility of the stock price, expected dividend yield, and expected life. Such judgements and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

*Financial instruments*

Financial assets and liabilities are initially recognized at fair value plus any directly attributable transaction costs except for those which are designated at fair value through profit or loss.

**2. Significant accounting policies (continued)**

*Financial instruments (continued)*

(i) Non-derivative financial assets

Financial assets at fair value through profit or loss:

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Upon initial recognition attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables:

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

Loans and receivables comprise cash and cash equivalents, trade accounts receivable and other receivables.

Cash and cash equivalents consist of cash balances and may include investment savings accounts, banker's acceptances, term deposits, guaranteed investment certificates and/or bonds with original maturities of three months or less from the date of acquisition.

Available-for-sale financial assets:

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories.

Shares included in marketable securities are classified as available-for-sale financial assets. They are initially recognized at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognized in other comprehensive income and presented within equity in accumulated other comprehensive income. When an investment is realized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

(ii) Non-derivative financial liabilities

The Company classified its trade accounts payable and accrued liabilities and amount due to a related party as financial liabilities at amortized cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

**2. Significant accounting policies (continued)**

*Refundable credit on mining duties and refundable tax credit related to resources*

The Company is eligible for a refundable credit on mining duties under the Quebec Mining Duties Act. This refundable credit on mining duties is equal to 8% of expenses incurred for mining activities in Quebec. The accounting treatment for refundable credit on mining duties depends on management's intention to go into production in the future or rather to sell its mining properties to another mining producer once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property. In the first case, the credit on mining duties is recorded as an income tax recovery under lAS 12, Income Taxes, which generates at the same time a deferred tax liability and deferred tax expense since the exploration and evaluation assets have no more tax basis following the Company's election to claim the refundable credit. In the second case, it is expected that no mining duties will be paid in the future; and accordingly, the credit on mining duties is recorded as a government grant under lAS 20, Accounting for Government Grants and Disclosure of Government Assistance, which is recorded against exploration and evaluation expenditures. Currently, credits on mining are recorded in compliance with lAS 12.

The Company is also eligible for a refundable tax credit related to resources for mining industry companies in relation to eligible expenses incurred. The refundable tax credit related to resources represents up to 31% of the amount of eligible expenses incurred and is recorded as a government grant against exploration and evaluation expenditures.

Credits related to resources and credits for mining duties recognized against exploration and evaluation expenditures are recorded when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant. They are recognized in profit or loss on a systematic basis over the useful life of the related assets.

*Property and equipment*

Items of property and equipment are measured at cost less accumulated amortization and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Amortization is calculated over the depreciable amount, which is the cost of an asset, or another amount substituted for cost, less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives and the methods of amortization for the current and comparative periods are as follows:

| | | |
|---|---|---|
| Computer equipment | Straight-line | 3 years |
| Leasehold improvements | Straight-line | Lower of term of lease or economic life |

Amortization methods, useful lives and residual values are reviewed periodically and at each financial year end and adjusted if appropriate.

*Mining properties and exploration and evaluation expenditures*

The Company expenses all acquisition costs of mineral properties and exploration and evaluation expenditures as incurred.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

**2. Significant accounting policies (continued)**

*Impairment*

(i) Financial assets

Financial assets which are not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event can be reliably estimated to have a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated discounted future cash flows. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognized by transferring the cumulative loss that has been recognized in other comprehensive income, and presented in unrealized gains/losses on available-for-sale financial assets in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognized in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

(ii) Non-financial assets

The carrying amounts of intangible assets and property and equipment are reviewed at each reporting date to determine whether there is any indication of impairment.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit” or “CGU”).

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized for the asset in prior years.

## 2. Significant accounting policies (continued)

*Provisions*

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The Company has no material provisions at December 31, 2016 and December 31, 2015, except for the provision disclosed in note 19.

*Share capital*

(i) Common shares

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

(ii) Flow-through shares

The Canadian tax legislation permits an entity to issue securities to investors whereby the deductions for tax purposes relating to resource expenditures may be claimed by the investors and not by the entity. These securities are referred to as flow-through shares. The Company finances a portion of its exploration programs with flow-through share issuance.

At the time of share issuance, the Company allocates the proceeds between share capital and an obligation to deliver the tax deductions, which is recorded as a liability for flow-through shares obligation. The Company estimates the fair value of the obligation using the residual value method, i.e. by comparing the price of the flow-through share to the price of a common share.

(iii) Warrants

Warrants are classified as equity as they are derivatives over the Company's own equity that will be settled only by the Company's own equity instruments.

*Share-based payments*

The grant date fair value of share-based payment awards granted to directors, officers and service providers is recognized as a share-based payment expense, with a corresponding increase in share-based payments, over the period that the participants unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market conditions at the vesting date.

*Leases*

All leases meet the criteria of an operating lease and as such the leased assets are not recognized in the Company's statement of financial position.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Finance income and finance costs

Interest received and interest paid are classified under operating activities in the statement of cash flows.

## 2. Significant accounting policies (continued)

*Income tax*

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized with regards to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred taxes are recognized as income or expense in profit or loss, except to the extent that tax arises from transactions recognized in equity. Therefore, when deferred taxes relate to equity items, a backwards tracing is necessary to determine the adjustment to taxes (e.g. change in tax rates and change in valuation allowance) that should be recorded in equity. For this purpose, the accounting policy of the Company is to first allocate changes in valuation allowance to capital losses due to share issuance costs before non-capital losses carryforwards.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

*Earnings per share*

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares, which comprise warrants and share options granted to employees and directors.

These potential common shares are not included in the calculation of the weighted average number of outstanding shares for diluted loss per common share when the effect would be anti-dilutive.

*Segment reporting*

The Company determined that it had only one operating segment, i.e. mining exploration.

## 2. Significant accounting policies (continued)

*New standards and interpretations not yet adopted*

IFRS 9 – Financial instruments (“IFRS 9”) was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 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 approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

## 3. Capital risk management

The Company's objective in managing capital is to ensure continuity as a going-concern, which safeguards the Company's ownership of mining claims, as well as safeguarding its ability to continue its exploration programs. The Company manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares and acquire or sell mining properties to improve its financial performance and flexibility.

The Company considers its capital to be equity, which comprises share capital, reserves, accumulated other comprehensive loss and accumulated deficit, which at December 31, 2016, totaled $4,330,268 (December 31, 2015 - $(94,312)).

To effectively manage the Company's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives. As needed, the Company raises funds through private placements or other equity financings. The Company does not utilize long-term debt as the Company does not currently generate operating revenues. There is no dividend policy. The Company is subject to regulatory requirements related to the use of funds obtained by flow-through share arrangements. These funds have to be expended for eligible exploration expenses. The Company is in current compliance of these regulatory requirements. In 2011, the Company was underspent on Canada Revenue Agency's (the "CRA") interpretations of these regulations but has executed in 2016 a settlement agreement with Canadian Taxation Authorities (see note 19 contingency).

The Company is subject to Policy 2.5 of the TSX Venture Exchange (TSX-V) which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of December 31, 2016, the Company is compliant with Policy 2.5.

The Company's management of capital remained unchanged since the prior year.

## 4. Financial risk management

*Fair value*

Certain of the Company's accounting policies and disclosures require the determination of fair value. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that financial asset or financial liability.

**4. Financial risk management (continued)**

*Fair value (continued)*

In establishing fair value, the Company uses a fair value hierarchy based on levels as defined below:

- Level 1: defined as observable inputs such as quoted prices in active markets.
- Level 2: defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3: defined as inputs that are based on little or no observable market data and, therefore, requiring entities to develop their own assumptions.

The carrying values of short-term financial assets and liabilities, which include trade accounts receivable, other receivables, funds reserved for exploration, trade accounts payable and accrued liabilities and amount due to a related company approximate their fair value because of the short-term nature of these items.

As of December 31, 2016 and December 31, 2015, all financial instruments held at fair value are considered to be level 1 under the fair value hierarchy.

*Financial risk*

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

(i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, trade accounts receivable and other receivables. Cash is held with two major Canadian chartered banks, from which management believes the risk of loss to be minimal. Trade accounts receivable and other receivables consist of receivables from government and unrelated companies. Amounts receivable are in good standing as of December 31, 2016. Management believes that the credit risk with respect to these amounts receivable is minimal.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2016, the Company had cash and cash equivalents and marketable securities of $4,848,342 (December 31, 2015 - $306,335) to settle trade accounts payable and accrued liabilities of $736,812 (December 31, 2015 - $312,574). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity. As discussed in Note 1, the Company's ability to continually meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing. Management is continuing in its efforts to secure financings and believes it will be successful.

**4. Financial risk management (continued)**

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and foreign exchange rates.

(a) Interest rate risk

The Company has cash and cash equivalent balances and no variable interest-bearing debt. The Company's current policy is to invest excess cash in guaranteed investment certificates issued by a Canadian chartered bank. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered banks.

(b) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is nil.

(c) Commodity and equity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to precious and base metals and other minerals, and the stock market to determine the appropriate course of action to be taken by the Company.

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depend upon the world market price of precious and base metals and other minerals. Precious and base metals and other mineral prices have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of precious and base metals and other minerals are produced in the future, a profitable market will exist for them. As of December 31, 2016, the Company was not a precious minerals, base metals and other minerals producer. Even so, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

*Sensitivity analysis*

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period:

(i) Cash and cash equivalents are subject to floating interest rates. The Company has no variable debt and receives low interest rates on its cash and cash equivalents balances. As such, the Company does not have significant interest rate risk.

(ii) The Company's investment in marketable securities amounting to $113,400 are subject to fair value fluctuations. As at December 31, 2016, if the fair value of the Company's investment in marketable securities had decreased/increased by 25% with all other variables held constant, comprehensive loss and equity for the year ended December 31, 2016 would have been approximately $28,350 higher/lower. Subsequent to the year end, the Company sold its investment in marketable securities.

**(Expressed in Canadian dollars)**

### 5. Cash and cash equivalents

| | As at December 31, 2016 | As at December 31, 2015 |
|---|---|---|
| Bank balances | $ 734,942 | $ 257,735 |
| Money management Investment savings account | 4,000,000 | - |

### 6. Marketable securities

| | As at December 31, 2016 | As at December 31, 2015 |
|---|---|---|
| Cost | | |
| 1,080,000 common shares of S.E.M. Vior Inc. ("Vior") | $ 350,870 | $ 350,870 |
| Unrealized (loss) | | |
| 1,080,000 common shares of Vior | (237,470) | (302,270) |
| | $ 113,400 | $ 48,600 |

Subsequent to the year end, the Company sold its investment in marketable securities for $215,551, net of commission.

### 7. Property and equipment

| Cost | Computer software | Leasehold improvements | Computer equipment | Total |
|---|---|---|---|---|
| Balance, December 31, 2014 | $ 5,458 | $ 14,480 | $ 3,711 | $ 23,649 |
| Balance, December 31, 2015 | 5,458 | 14,480 | 3,711 | 23,649 |
| Disposals | - | (14,480) | - | (14,480) |
| Balance, December 31, 2016 | $ 5,458 | $ - | $ 3,711 | $ 9,169 |

| Accumulated Amortization | Computer software | Leasehold improvements | Computer equipment | Total |
|---|---|---|---|---|
| Balance, December 31, 2014 | $ 1,364 | $ 14,480 | $ 3,711 | $ 19,555 |
| Amortization during the year | 1,819 | - | - | 1,819 |
| Balance, December 31, 2015 | 3,183 | 14,480 | 3,711 | 21,374 |
| Amortization during the year | 1,819 | - | - | 1,819 |
| Disposals during the year | - | (14,480) | - | (14,480) |
| Balance, December 31, 2016 | $ 5,002 | $ - | $ 3,711 | $ 8,713 |

| Carrying value | Computer software | Leasehold improvements | Computer equipment | Total |
|---|---|---|---|---|
| Balance, December 31, 2015 | $ 2,275 | $ - | $ - | $ 2,275 |
| Balance, December 31, 2016 | $ 456 | $ - | $ - | $ 456 |

**(Expressed in Canadian dollars)**

## 8. Mining Properties

The accumulated mining property acquisition costs, which have been expensed in these financial statements, are as follows:

| | As at December 31, 2016 | As at December 31, 2015 |
|---|---|---|
| **Douay property** | | |
| **Ending balance** | **$ 20,892,875** | $ 20,892,875 |

*Douay Property:*

On July 5, 2010 and amended on March 7, 2011, the Company entered into an Agreement with Vior in order to acquire 100% of Vior's interest in the Douay Gold Property located 40 kms southwest of Matagami and 110 kms north of Amos, Quebec in Abitibi. The Douay property consists of 250 contiguous designated wholly-owned claims totaling approximately 133.1 square kilometres, 5 contiguous designated 90% owned joint venture claims totalling 0.2 square kilometres (the "West Zone") and 32 contiguous designated 75% joint venture claims totaling approximately 11.9 square kilometres (the "North West Claims") located on the Casa Berardi Fault in northern Quebec.

On July 5, 2010, the Company earned a 25% interest by paying $1,500,000.

On May 26, 2011, the Company earned an additional 25% interest in the Douay Property, thereby bringing its total interest in the property to 50% by paying an additional $1,500,000.

On August 9, 2011, following an Initial Public Offering and a consolidation of outstanding shares based on a 1 for 2 ratio, Aurvista earned the remaining 50% of the Vior interest in the Douay Project by issuing 21,250,000 shares to Vior (see note 20). In addition Aurvista was declared to have completed its minimum of $3,000,000 in exploration work on the Douay property on or before December 31, 2011.

The North West Claims are an island within the central northern part of the Douay Property. The North West Claims are owned as to 75% by Aurvista and 25% by Soquem Inc., a Crown Corporation of the Province of Quebec. The North West Claims were subject to a 1.5% Net Smelter Returns ("NSR") which was repurchased and cancelled subsequent to December 31, 2016 (see note 20).

On November 1, 2013, the Company received from P&E Mining Consultants Inc. a report entitled "Douay West Conceptual Mining Assessment" (the "Report"). The Report addressed pit planning, subsequent underground mine planning and the economics of developing the Douay West Zone only. The Report was not NI 43-101 compliant.

On January 22, 2015, the Company received from P&E Mining Consultants Inc. a second report entitled "Technical Report and Preliminary Economic Assessment." The report was NI 43-101 and NI 43-101F1 compliant and was filed on SEDAR.

Subsequent to December 31, 2016, the Company acquired the remaining 10% interest on the 5 contiguous claims in the West Zone (see note 20). As part of the exercise of the 10% option, the Company satisfied the bonus purchase price obligation with CANEX Metals Inc. (formerly Northern Abitibi Mining Corp.).

On April 17, 2017, the Company received from Micon International Limited a third report entitled Updated Resource Estimates. The report was NI 43-101 compliance and was filed on SEDAR.

**(Expressed in Canadian dollars)**

## 9. Exploration and evaluation expenditures

The accumulated exploration and evaluation expenditures, which have been expensed in these financial statements, are as follows:

| | As at December 31, 2016 | As at December 31, 2015 |
|---|---|---|
| **Douay property** | | |
| Opening balance | **$ 7,887,728** | $ 7,427,171 |
| Drilling and core | **1,465,209** | 158,436 |
| Engineering | **37,100** | 192,883 |
| Environmental | **480** | 652 |
| Geology | **41,915** | 72,429 |
| Geophysics | **219,716** | 149,072 |
| Licences and permits | **16,972** | 2,375 |
| Project management and supervision | **10,080** | - |
| Other exploration costs | **29,351** | 52,292 |
| Tax credit related to resources | **(31,847)** | (167,582) |
| **Ending balance** | **$ 9,676,704** | $ 7,887,728 |

On January 22, 2015 the Company received a report from P&E Mining Consultants Inc. a report entitled “Technical Report and Preliminary Economic Assessment” (the “P&E Report”). The report addressed pit planning, subsequent underground mine planning and the economics of developing the Douay West Zone. The report is NI 43-101 and NI 43-101F1 compliant and was filed on SEDAR.

The estimated net cash flow detailed in the report was fixed by certain assumptions made in 2013 and did not take into account the estimated future costs of completing a Feasibility study nor did it take into account any value that might have to be given or value received in achieving a toll milling or joint venture agreement. Certain costs or additional value were strictly limited by the rules prescribed under NI 43-101 regulations.

The resulting net cash flow adjusted to current prices and current foreign exchange rates and a reasonable view of other factors outside the NI 43-101 regulations was sufficient to demonstrate that an impairment against the notional accumulation of Mining Property expenditures and Exploration and Evaluation costs would not have been required for economic reasons. There is no assurance that any or all of the above assumptions may change with changes in, among other things, gold prices, exchange rates, cost estimates or engineering assumptions.

On April 17, 2017, the Company received a report from Micon International Limited entitled Updated Resource Estimates (the "Micon Report"). The Micon Report, in complying with a need to estimate an in pit shell resource, envisioned a potential mining plan which is much more expansive than the mining plan used in the P&E Report. The Micon Report has been filed on SEDAR.

**(Expressed in Canadian dollars)**

### 10. Income taxes

a) The following table reconciles the expected income tax expense (recovery) at the Canadian Federal and Provincial statutory rate of 26.5% (2015 - 26.5%) to the amounts recognized in the statements of operations

| For the years ended December 31, | 2016 | 2015 |
|---|---|---|
| Net loss for the year before income taxes | **$ (3,025,625)** | $ (1,028,827) |
| Expected income tax recovery | **(801,791)** | (272,639) |
| Non-deductible stock based compensation | **103,934** | 10,428 |
| Share issue expenses deductible | **(53,262)** | (99,502) |
| Changes in deferred taxes not recognized | **263,890** | 360,353 |
| Non deductible expenses and other | **487,229** | 1,360 |
| Income tax expense (recovery) | **$ -** | $ - |

b) Significant components of the Company's deferred income tax assets (liabilities) are as follows:

| As at December 31, | 2016 | 2015 |
|---|---|---|
| Non-capital losses carried forward | **$ 1,545,697** | $ 1,281,807 |
| Property and equipment | **28,287** | 27,805 |
| Share issue costs | **136,706** | 51,758 |
| Marketable securities | **31,465** | 40,051 |
| Mineral property and exploration and evaluation costs | **1,408,790** | 1,194,248 |
| | **3,150,945** | 2,595,669 |
| Unrecognized deferred tax assets | **(3,150,945)** | (2,595,669) |
| Deferred tax | **$ -** | $ - |

Deferred tax assets have not been recognized above as it is not probable that future taxable profit will be available against which the Company can utilize benefits therefrom.

c) As at December 31, 2016, the Company has $5,832,820 of non capital losses which can be used to reduce taxable income in future years. These losses expire as follows:

| | |
|---|---|
| 2030 | $ 376,630 |
| 2031 | 1,190,823 |
| 2032 | 1,218,803 |
| 2033 | 489,458 |
| 2034 | 662,030 |
| 2035 | 899,264 |
| 2036 | 995,812 |
| | $ 5,832,820 |

**(Expressed in Canadian dollars)**

### 11. Secured loan payable

On September 4, 2015, the Company entered into an agreement to factor its 2014 claims for Quebec Exploration Tax Credits. The 2014 credits, originally estimated at $300,000, were filed as part of its Quebec tax return to claim $367,582. The Company factored $275,600 of its claim, which was not to exceed 75% of the claim, less fees of $16,480 and prepaid nine months of interest of $37,206 based on annual interest of 18%.

Prior to December 31, 2015, the Quebec Exploration Tax Credits were received by the corporation that loaned the Company the funds. As a result, the loan payable was repaid during 2015 and the excess of the Quebec Exploration Tax Credits received over the repayment amount of $114,165 was setup in other receivables. This amount was received by the Company during the year ended December 31, 2016.

### 12. Share capital

a) Authorized share capital

The authorized share capital consisted of unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

| | Number of common shares | Amount |
|---|---|---|
| Balance, December 31, 2014 and December 31, 2015 | 69,511,617 | $ 32,014,380 |
| Private placement - flow-through units (i) | 6,361,504 | 508,920 |
| Private placement - common share units (i), (ii), (iii) | 54,811,334 | 7,088,260 |
| Valuation of warrants issued (i), (ii), (iii) | - | (4,180,462) |
| Premium on flow-through shares (i) | - | (127,230) |
| Share issuance costs (i), (ii), (iii) | - | (524,544) |
| Warrants exercised (note 14) | 477,952 | 47,795 |
| Valuation of warrants exercised (note 14) | - | 12,204 |
| Balance, December 31, 2016 | 131,162,407 | $ 34,839,323 |

(i) On May 30, 2016, the Company closed a non-brokered private placement of 6,361,504 flow-through units at a price of $0.08 per unit for gross proceeds of $508,920 and 9,816,000 common share units at a price of $0.06 per unit for gross proceeds of $588,960. Each flow-through unit consists of one flow-through common share and one share purchase warrant. Each common share unit consists of one non flow-through common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.10 per share during the 12 months from the closing date.

In connection with the placement, finders' fees of $76,852 were incurred and 768,516 finders' warrants were issued which entitles the holder to purchase one common share at an exercise price $0.10 for a period of 12 months from the closing date.

The fair value of the 16,177,504 warrants and 768,516 finder warrants have been estimated using the Black-Scholes option pricing model to be $413,075 and $57,946, respectively. The following weighted average assumptions were used: expected dividend yield - 0%; expected volatility - 152% which is based on historical volatility; estimated risk-free interest rate - 0.60%; and an expected average life of 1 year.

**(Expressed in Canadian dollars)**

## 12. Share capital (continued)

(ii) On July 25, 2016, the Company closed a non-brokered private placement of 5,000,000 common share units at $0.10 per unit for gross proceeds of $500,000. Each unit consisted of one common share and one half common share purchase warrant. Each whole common share warrant entitles the holder to purchase one additional common share at an exercise price of $0.13 per share during the 36 months following the closing date.

In connection with the placement, finders' fees of $16,100 were incurred and 161,000 finders' warrants were issued which entitles the holder to purchase one common share at an exercise price of $0.10 during the 12 months from the closing date.

The fair value of the 2,500,000 warrants and 161,000 finder warrants have been estimated using the Black-Scholes option pricing model to be $156,045 and $40,395, respectively. The following weighted average assumptions were used: expected dividend yield - 0%; expected volatility - 162% which is based on historical volatility; estimated risk-free interest rate - 0.57%; and an expected average life of 3 years.

Aurvista acquired the Douay Gold Project in 2011 from the Société d'Exploration Minière Vior Inc. ("Vior"). The 2011 agreement provided Vior with anti-dilution protection being a pre-emptive right to subscribe for shares of Aurvista in the event that Aurvista made any share issuances. Vior had wanted to participate in the July 25, 2016 private placement at $0.10 per unit, but agreed not to participate at the request of Aurvista. In order to compensate Vior for not participating it was agreed that Aurvista would pay Vior $120,000 for this specific offering, with its rights under the 2011 agreement remaining whole and unaffected.

(iii) On November 25, 2016, the Company closed a placement of 39,995,334 common share units at $0.15 per unit for gross proceeds of $5,999,300. Each unit consisted of one common share and one common share warrant. Each common share warrant entitles the holder to purchase one additional common share at an exercise price of $0.28 per share during the 36 months following the closing date.

In connection with the placement, finders' fees of $373,305 were incurred and 2,799,673 finders' warrants were issued which entitles the holder to purchase one common share unit at an exercise price of $0.15 during the 36 months from the closing date.

The fair value of the 39,995,334 warrants and 2,799,673 finder warrants have been estimated using the Black-Scholes option pricing model to be $2,675,339 and $837,662, respectively. The following weighted average assumptions were used: expected dividend yield - 0%; expected volatility - 162% which is based on historical volatility; estimated risk-free interest rate - 0.73%; and an expected average life of 3 years.

Insiders of the Company subscribed to a total of 2,716,666 units for proceeds of $407,500.

## 13. Stock options

The following table reflects the continuity of stock options:

| | Number of stock options | Weighted average exercise price ($) |
|---|---|---|
| Balance, December 31, 2014 | 6,055,000 | 0.26 |
| Expired | (3,125,000) | 0.34 |
| Granted (i) | 3,000,000 | 0.10 |
| Balance, December 31, 2015 | 5,930,000 | 0.13 |
| Expired | (310,000) | 0.12 |
| Granted (ii), (iii), (iv) | 6,790,000 | 0.25 |
| Balance, December 31, 2016 | 12,410,000 | 0.20 |

**(Expressed in Canadian dollars)**

### 13. Stock options (continued)

(i) On November 18, 2015, the Company granted 3,000,000 incentive stock options to certain directors, officers and consultants with each option exercisable into one common share of the Company at an exercise price of $0.10 per share for a period of five years. The options vest 1/4 immediately and 1/4 on each anniversary of the date of grant. The grant date fair value of $91,800 or $0.0306 per option was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 157% which is based on historical volatility, risk-free rate of return of 0.96% and an expected maturity of 5 years.

(ii) On July 11, 2016, the Company granted 800,000 incentive stock options to a director and consultant with each option exercisable into one common share of the Company at an exercise price of $0.24 per share for a period of five years. The options vest 200,000 immediately with an additional 200,000 vesting on each of the next three anniversaries of the date of grant. The grant date fair value of $168,560 or $0.2107 per option was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 155% which is based on historical volatility, risk-free rate of return of 0.53% and an expected maturity of 5 years.

(iii) On August 30, 2016, the Company granted 400,000 incentive stock options to an employee with each option exercisable into one common share of the Company at an exercise price of $0.24 per share for a period of five years. The options vest 100,000 immediately with an additional 100,000 vesting on each of the next three anniversaries of the date of grant. The grant date fair value of $74,520 or $0.1863 per option was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 154% which is based on historical volatility, risk-free rate of return of 0.63% and an expected maturity of 5 years.

(iv) On November 28, 2016, the Company granted 5,590,000 incentive stock options to certain directors, officers and consultants with each option exercisable into one common share of the Company at an exercise price of $0.25 per share for a period of five years. The options vest 1/4 immediately and 1/4 on each anniversary of the date of grant. The grant date fair value of $800,488 or $0.1432 per option was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 153% which is based on historical volatility, risk-free rate of return of 0.95% and an expected maturity of 5 years.

The following table reflects the actual stock options issued and outstanding as of December 31, 2016:

| Exercise Price ($) | Remaining Contractual Life (years) | Number of Options Outstanding | Number of Options Vested (Exercisable) |
|---|---|---|---|
| 0.40 | 0.0 | 500,000 | 500,000 |
| 0.12 | 2.0 | 1,620,000 | 1,620,000 |
| 0.12 | 2.8 | 500,000 | 333,334 |
| 0.10 | 3.9 | 3,000,000 | 1,500,000 |
| 0.24 | 4.5 | 800,000 | 200,000 |
| 0.24 | 4.7 | 400,000 | 100,000 |
| 0.25 | 4.9 | 5,590,000 | 1,397,500 |
| 0.20 | 4.0 | 12,410,000 | 5,650,834 |

**(Expressed in Canadian dollars)**

## 14. Warrants

The following table reflects the continuity of warrants:

| | Number of warrants | Weighted average exercise price ($) |
|---|---|---|
| Balance, December 31, 2014 | 260,000 | 0.40 |
| Expired | (260,000) | 0.40 |
| Balance, December 31, 2015 | - | - |
| Issued (notes 12(b)(i), (ii), (iii)) | 62,402,027 | 0.22 |
| Exercised | (477,952) | 0.10 |
| Balance, December 31, 2016 | 61,924,075 | 0.22 |

The following table reflects the actual warrants issued and outstanding as of December 31, 2016:

| Number of Warrants Outstanding | Grant Date Fair Value($) | Weighted average exercise Price ($) | Expiry Date |
|---|---|---|---|
| 16,468,068 | 458,817 | 0.10 | May 2017 |
| 161,000 | 40,395 | 0.13 | July 2017 |
| 2,500,000 | 156,045 | 0.13 | July 2019 |
| 39,995,334 | 2,675,339 | 0.28 | November 2019 |
| 2,799,673 | 2,799,673 | 0.15[1] | November 2019 |
| 61,924,075 | 4,168,258 | 0.22 | |

(1) Exercisable into one common share unit (see note 12 (b)(iii).

## 15. General and administrative

| | Year Ended December 31, 2016 | Year Ended December 31, 2015 |
|---|---|---|
| Professional fees | **$ 117,746** | $ 58,901 |
| Salaries and benefits | **127,036** | 145,628 |
| Management and consulting | **201,339** | 154,278 |
| Office and general | **215,712** | 106,593 |
| Travel and promotion | **145,845** | 28,831 |
| Share-based payments | **392,204** | 39,350 |
| Business development | **41,128** | 4,603 |
| Amortization | **1,819** | 1,819 |
| | **$ 1,242,829** | $ 540,003 |

**(Expressed in Canadian dollars)**

## 16. Related party balances and transactions

The Company has no ultimate parent.

Key management personnel compensation comprised:

| | Year Ended December 31, 2016 | Year Ended December 31, 2015 |
|---|---|---|
| Short-term benefits | **$ 120,000** | $ 90,000 |
| Share-based payments | **272,019** | 34,527 |
| | **$ 392,019** | $ 124,527 |

Under an agreement between the Company and 9134-4382 Quebec Inc. ("9134-4382"), (which is owned by the President and CEO), during the year ended December 31, 2016, 9134-4382 invoiced or the Company accrued a total of $90,000 (year ended December 31, 2015 - $90,000) for exploration and CEO services provided to the Company. At December 31, 2016, there is an amount of $19,715 (December 31, 2015 - $40,324) due to 9134-4382 by the Company.

Under an agreement between the Company and 2364158 Ontario Inc. ("2364158"), (which is owned by the COO), during the year ended December 31, 2016, 2364158 invoiced or the Company accrued a total of $30,000 (year ended December 31, 2015 - $0) for COO services provided to the Company. At December 31, 2016, there is an amount of $0 (December 31, 2015 - $0) due to 2364158 by the Company.

During the year ended December 31, 2016, the Company paid or accrued rent of $28,050 (year ended December 31, 2015 - $0) to a director of the Company. At December 31, 2016, there is an amount of $1,980 (December 31, 2015 - $8,280) due to this director. At December 31, 2016, there is a deposit of $1,500 (December 31, 2015 - $1,500) included in prepaid expenses.

The above noted transactions are in the normal course of business and are measured at the exchange amount, as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

As of December 31, 2016, Vior controls 21,485,800 common shares of the Company or approximately 16% of the total common shares outstanding. Subsequent to December 31, 2016, Vior completed an in-specie dividend distribution of an aggregate of 13,796,795 common shares.

To the knowledge of the directors and executive officers of the Company, the remaining common shares of the Company are widely held. As of December 31, 2016, directors and officers collectively control 8,861,635 common shares of the company or approximately 7% of the total common shares outstanding.

## 17. Segmented information

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Canada. As the operations comprise a single reporting segment, amounts disclosed in the financial statements also represent segment amounts. In order to determine reportable operating segments, the chief operating decision maker reviews various factors including geographical location, quantitative thresholds and managerial structure.

## 18. Net loss per common share

The calculation of basic and diluted loss per share for the year ended December 31, 2016 was based on the loss attributable to common shareholders of $3,025,625 (year ended December 31, 2015 - $1,028,827) and the weighted average number of common shares outstanding of 86,300,449 (year ended ended December 31, 2015 - 69,511,617). Diluted loss per share did not include the effect of the stock options and warrants as they are anti-dilutive.

## 19. Contingencies

(i) The Company had a tax issue with respect to flow-through spending in 2010 and 2011 which was the subject of an agreement with Canadian Taxation Authorities. The agreement quantified underspent flow-through obligations and gave the Company the right but not the obligation, not to exceed $400,000, to pay taxes on behalf of the flow-through investors which could otherwise be reassessed to flow-through investors. The Company's payment on behalf of investors is not CRA's normal policy and reflects mitigating circumstances. A payment of $400,000 to the CRA per the settlement agreement was made during the year ended December 31, 2016.

The Company has continued to accrue $42,000 as a current liability and as a potential settlement amount with Revenu Quebec further to note 19(ii) below.

(ii) The Company received a draft re-assessment from Revenu Quebec further to their audit which was mainly focused on Quebec Exploration Tax Credits for the tax years 2011 through 2014. The Company has provided its reply refuting the re-assessment but at this time it is unknown as to the final re-assessment.

Management has reviewed the estimated range of potential reassessments and has accrued an additional $200,000 as a potential contingent liability bringing the contingent amount to $242,000.

## 20. Subsequent events

(i) On March 2, 2017, the Company granted 475,000 stock options to certain new employees and consultants to purchase common shares of the Company exercisable at a price of $0.40 per share for a period of 5 years. The stock options will be subject to a vesting schedule of 1/4 to vest immediately and 1/4 on each anniversary of the grant date until the options are fully vested.

(ii) Subsequent to December 31, 2016, the Company repurchased and cancelled the 1.5% NSR on the North West Claims from CANEX Metals Inc. (formerly Northern Abitibi Mining Corp.) for a total cash consideration of $325,000.

(iii) Subsequent to December 31, 2016, the Company revised its obligations to CANEX Metals Inc. (formerly Northern Abitibi Mining Corp.), further to the bonus purchase price, for $20,000.

(iv) Subsequent to December 31, 2016, the Company acquired the remaining 10% interest in the West Zone for $12,500.

(v) Subsequent to December 31, 2016, the Company staked an additional 294 mineral claims surrounding the Company's Douay Property

(vi) Subsequent to December 31, 2016, 500,000 options with an exercise price of $0.40 and an expiry date of January 16, 2017, expired unexercised.

(vii) Subsequent to December 31, 2016, the Company sold its holdings in Vior for net proceeds of $215,551.