

**CMX GOLD & SILVER CORP.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2017 AND 2016**

**Notice to reader**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim consolidated financial statements for the period ended March 31, 2017. These financial statements and the notes thereto have been prepared by the Company's management in accordance with International Financial Reporting Standards using management's best judgments, consistent with prior periods, and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016.

CMX GOLD & SILVER CORP.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at	March 31, 2017 (unaudited)	December 31, 2016 (audited)
<b>ASSETS</b>		
Current		
Cash and cash equivalents	\$ 6,202	\$ 739
Trade and other receivables	1,918	2,995
Deferred expenses	45,563	67,921
	53,683	71,655
Exploration and evaluation (note 5)	688,136	693,495
	\$ 741,819	\$ 765,150
<b>LIABILITIES</b>		
Current		
Trade and other payables	\$ 141,459	\$ 286,391
Subscriptions received	72,035	-
Due to related parties - current (note 6)	56,335	49,286
Convertible debentures to related parties (note 6 & 8)	186,785	-
Convertible debentures (note 8)	101,614	-
	558,228	335,677
Due to related parties - long-term (note 6)	271,697	232,652
Long-term debt (note 7)	213,950	210,823
Convertible debentures to related parties (note 6 & 8)	-	180,634
Convertible debentures (note 8)	-	98,268
Derivative financial instruments (note 9)	6,046	6,793
Total liabilities	1,049,921	1,064,847
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital (note 10)	3,875,439	3,807,667
Warrants (note 13)	602,696	585,892
Contributed surplus (note 11)	433,746	433,065
Accumulated other comprehensive income	171,621	176,980
Deficit	(5,391,604)	(5,303,301)
Total shareholders' deficiency	(308,102)	(299,697)
	\$ 741,819	\$ 765,150

Going concern (note 1)  
Subsequent events (note 19)

Approved on behalf of the Board

/s/ "Bruce J. Murray"

/s/ "Jan M. Alston"

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

CMX GOLD & SILVER CORP.  
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the three months ended March 31,	2017	2016
<b>Expenses</b>		
Management fees (note 6)	\$ 40,900	\$ 34,188
Shareholder reporting and investor communications	23,033	761
General and administrative	12,626	9,888
Listing and filing fees	4,503	4,896
Professional fees	1,004	11,168
Share-based payments (note 12)	681	5,938
Mineral property expenditures (note 5)	428	-
Loss on foreign exchange	230	696
Recovery of prior period expenditures	(13,312)	-
	<u>70,093</u>	<u>67,535</u>
Loss before financing (expenses) income	(70,093)	(67,535)
<b>Financing income (expenses)</b>		
Interest income	-	-
Interest and bank charges	(18,957)	(16,651)
Change in fair value of derivative instrument	747	-
	<u>(18,210)</u>	<u>(16,651)</u>
Net loss	(88,303)	(84,186)
<b>Other comprehensive income (loss)</b>		
Items that may be reclassified subsequently to net income or loss		
Exchange difference on translating foreign operation	(5,359)	(44,971)
	<u>(5,359)</u>	<u>(44,971)</u>
<b>Total comprehensive loss</b>	<b>\$ (93,662)</b>	<b>\$ (129,157)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.003)</b>	<b>\$ (0.003)</b>
<b>Weighted average number of shares outstanding – basic and diluted</b>	<b>34,063,635</b>	<b>32,741,136</b>

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

CMX GOLD & SILVER CORP.  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Issued share capital		Warrants	Accumulated other comprehensive income	Contributed Surplus	Deficit	Total
	#	\$					
Balance December 31, 2015	32,653,224	\$ 3,759,789	\$ 651,381	\$ 198,385	\$ 281,771	\$ (5,045,428)	\$ (154,102)
Shares issued for cash (note 10)	100,000	6,525	3,475	-	-	-	10,000
Shares issued for debt (note 10)	607,000	41,353	19,387	-	-	-	60,740
Convertible debentures issued, net of tax (note 8)	-	-	-	-	39,191	-	39,191
Expired warrants (note 13)	-	-	(88,351)	-	88,351	-	-
Share-based payments (note 12)	-	-	-	-	23,752	-	23,752
Reversal of dividend payable	-	-	-	-	-	129,747	129,747
Net loss for the year	-	-	-	-	-	(387,620)	(387,620)
Exchange difference on translating foreign operation	-	-	-	(21,405)	-	-	(21,405)
Balance December 31, 2016	33,360,224	\$ 3,807,667	\$ 585,892	\$ 176,980	\$ 433,065	\$ (5,303,301)	\$ (299,697)
Shares issued for cash (note 10)	346,500	19,144	15,506	-	-	-	34,650
Shares issued for debt (note 10)	509,000	48,628	1,298	-	-	-	49,926
Share-based payments (note 12)	-	-	-	-	681	-	681
Net loss for the period	-	-	-	-	-	(88,303)	(88,303)
Exchange difference on translating foreign operation	-	-	-	(5,359)	-	-	(5,359)
Balance March 31, 2017	34,215,724	\$ 3,875,439	\$ 602,696	\$ 171,621	\$ 433,746	\$ (5,391,604)	\$ (308,102)

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

CMX GOLD & SILVER CORP.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31,	2017	2016
Cash flow used in operating activities		
Net loss	\$ (88,303)	\$ (84,186)
Items not affecting cash		
Management fees (note 6)	40,900	4,000
Shareholder reporting and investor communications	14,308	-
General and administrative	11,738	-
Debenture interest	9,497	10,046
Interest and bank charges	9,086	-
Professional Fees	1,004	-
Share-based payments (note 12)	681	5,938
Loss on foreign exchange	230	696
Change in fair value derivative instruments (note 9)	(747)	-
Recovery of prior period expenditures	(13,312)	-
Changes in non-cash working capital items (note 14)	(7,753)	(2,847)
	<u>(22,671)</u>	<u>(66,353)</u>
Cash flows (used in) generated from financing activities		
Share issuance (note 10)	19,144	5,777
Warrant issuance (note 13)	15,506	4,223
Long-term debt (note 7)	-	4,854
Net cash repayments of amounts due to related parties	(6,516)	32,594
	<u>28,134</u>	<u>47,448</u>
Net change in cash and cash equivalents	5,463	(18,905)
Cash and cash equivalents, beginning of period	739	20,235
Cash and cash equivalents, end of period	<u>\$ 6,202</u>	<u>\$ 1,330</u>

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

CMX GOLD & SILVER CORP.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2017 and 2016

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CMX Gold & Silver Corp. (the "Company" or "CMX") was incorporated on July 30, 1986 and changed its name from Encee Group Ltd. to Liard Resources Ltd. on August 6, 1996. The Company changed its name to CMX Gold & Silver Corp. on February 11, 2011. The Company is designated as a "reporting issuer" pursuant to the Alberta Securities Act and Regulations. The Company is listed on the Canadian Securities Exchange under the trading symbol "CXC". The Company is a junior mining company with a silver-lead-zinc property in the United States of America. The registered office of the Company is as follows:

CMX Gold & Silver Corp.  
c/o Norton Rose Fulbright Canada LLP  
3700, 400 Third Avenue SW  
Calgary, Alberta  
Canada T2P 4H2

The consolidated financial statements were authorized for issuance by the Board of Directors on May 30, 2017.

**1. GOING CONCERN**

The business of exploring resource properties involves a high degree of risk and, therefore, there is no assurance that current exploration programs will result in profitable operations. The Company has not determined whether its properties contain economically recoverable reserves of ore and currently has not earned any revenue from its mineral properties and, therefore, does not generate cash flow from its operations. Future operations are dependent upon the discovery of economically recoverable ore reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete exploration and subsequent development of its properties, and upon future profitable production or proceeds from disposition of its properties.

The consolidated financial statements of the Company have been prepared on a going concern basis which assumes that the Company will realize the carrying value of its assets and discharge its obligations as they become due in the normal course of operations. For the three months ended March 31, 2017, the Company incurred a net loss of \$88,303 (2016 - \$84,186). As a result of the recurring losses over the Company's history, the Company has an accumulated deficit of \$5,391,604 as at March 31, 2017 (2016 - \$5,129,614). At March 31, 2017, the Company had a working capital deficiency of \$504,545 (2016 - \$281,212). The Company currently does not have the necessary financing in place to support continuing losses. Historically, the Company has financed its operations and property acquisitions through the use of funds obtained from share issuances. As a result of these circumstances there is material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's continuation as a going concern is dependent upon its ability to secure new financing arrangements and new equity issuances. There is no assurance that new capital will be available and if it is not, the Company may be forced to substantially curtail or cease operations. Although the use of the going concern assumption is appropriate, there can be no assurance that any steps the Company takes will be successful. To mitigate the working capital deficiency, the Company plans to raise capital through equity issuance.

The consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities, and reported revenues and expenses, that might be necessary should the Company be unable to continue as a going concern, and therefore, be required to realize its assets and discharge its liabilities other than in the normal course of business and at carrying amounts different from those reflected in the accompanying consolidated financial statements. Any such adjustments could be material.

CMX GOLD & SILVER CORP.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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**2. BASIS OF PRESENTATION**

**Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee in effect at January 1, 2017.

**Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and share-based payments.

**Functional and presentation currency**

The functional currency of the Company is Canadian dollars, and all amounts are presented in Canadian dollars unless otherwise stated. The functional currency of the Company’s wholly owned subsidiary, CMX Gold & Silver (USA) Corp., is the US dollar.

**3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from and affect the results reported in these consolidated financial statements as future confirming events occur.

The determination of the Company’s functional currency requires management judgment based on an evaluation of all relevant information in relation to the related primary and secondary hierarchy factors. Considerations regarding currency and influences of area of operations, settlement of operating expenses, and the funds from financing activities are assessed at each reporting date.

Management’s judgment is that until a property reaches the development stage, costs related to the exploration and evaluation of a property are best estimated to be non-recoverable and are therefore expensed in the year in which they occur. Only real property is capitalized to the consolidated statement of financial position.

Amounts recorded for warrant valuations are based on management’s estimates of share price volatility and the expected life of the warrants.

The Company must make use of estimates in calculating the fair value of share-based payments. Amounts recorded for share-based payments are subject to the inputs used in the Black-Scholes option pricing model, including assumptions such as volatility, dividend yield, risk-free interest rates, forfeiture rate estimates, and expected option life. Forfeiture rate is determined based on actual historical forfeitures.

The fair values of derivative financial instruments that are not traded in an active market are determined using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

Tax interpretations, regulations and legislation in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty.

By their nature, these estimates are subject to measurement uncertainty and the impact on the consolidated financial statements of future periods could be material.

CMX GOLD & SILVER CORP.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2017 and 2016

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#### 4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows:

##### **Basis of consolidation**

These consolidated financial statements include the accounts of CMX Gold & Silver Corp. and its wholly-owned subsidiary, CMX Gold & Silver (USA) Corp. A subsidiary is fully consolidated from the date on which control is obtained and is de-consolidated from the date that control ceases. All inter-company balances and transactions have been eliminated on consolidation.

##### **Financial instruments**

###### *Non-derivative financial instruments*

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables, due to related parties, dividends payable, long-term debt and convertible debt. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

- Financial assets at fair value through profit or loss ("FVTPL")

An instrument is classified at FVTPL if it is held for trading or is designated as such upon initial recognition.

Financial instruments are designated at FVTPL if the Company manages such instruments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss.

Derivatives are also included in this category unless they are designated as hedges. The Company's financial assets and liabilities that are classified as FVTPL are derivative financial instruments.

- Loans and receivables

Cash and cash equivalents and trade and other receivables are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are subsequently carried at amortized cost using the effective interest method, less any impairment loss.

- Other financial liabilities

Trade and other payables, due to related parties, dividends payable, long-term debt and convertible debentures are classified as other financial liabilities. Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other financial liabilities are subsequently carried at amortized cost using the effective interest method.

##### **Impairment of financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had 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 future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.



CMX GOLD & SILVER CORP.  
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Three months ended March 31, 2017 and 2016

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**4. SIGNIFICANT ACCOUNTING POLICIES, continued**

All impairment losses are recognized in the consolidated statement of operations and comprehensive loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the consolidated statement of operations and comprehensive loss.

**Foreign exchange translations and transactions**

For foreign entities whose functional currency is the Canadian dollar, the Company translates monetary assets and liabilities at period-end exchange rates and non-monetary items are translated at historical rates. Income and expense accounts are translated at the average rates in effect during the period. Gains or losses from changes in exchange rates are recognized in the consolidated statement of operations and comprehensive loss in the period of occurrence.

For foreign entities whose functional currency is not the Canadian dollar, the Company translates assets and liabilities at period-end rates and income and expense accounts at average exchange rates. Adjustments resulting from these translations are reflected in other comprehensive income as exchange difference on translating foreign operation.

Transactions of the Canadian entity in foreign currencies are translated at rates in effect at the time of the transaction. Foreign currency monetary assets and liabilities are translated at current rates. Gains or losses from the changes in exchange rates are recognized in the consolidated statement of operations and comprehensive loss in the period of occurrence. Foreign exchange gains or losses arising from a monetary item that is receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in accumulated other comprehensive income.

**Cash and cash equivalents**

The Company's cash and cash equivalents consists of balances with financial institutions with maturities of three months or less at the date of purchase.

**Exploration and evaluation assets**

Prospecting costs incurred prior to obtaining the rights to explore lands are expensed as incurred.

Costs of option acquisitions and exploration expenditures related to mineral properties are expensed in the year in which they occur.

Land purchases, patented mineral claims and development costs are capitalized on property specific cash generating unit ("CGU") basis. Upon development of a commercially viable mineral property the related costs subject to an impairment test, will be transferred from exploration and evaluation to development and producing. Costs capitalized together with the costs of production equipment will be depleted on a unit of production basis, based on estimated proved reserves of minerals upon the commencement of production for each CGU.

Each reporting period, the Company assesses whether there is an indication that a CGU may be impaired. If any indication exists, the Company estimates the CGU's recoverable amount. A CGU's recoverable amount is the greater of fair value less costs of disposal and its value in use.

CMX GOLD & SILVER CORP.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Three months ended March 31, 2017 and 2016

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**4. SIGNIFICANT ACCOUNTING POLICIES, continued**

Fair value less costs of disposal is determined using discounted future net cash flows of proved and probable reserves using forecast prices and costs. Value in use is determined by estimating the present value of the future net cash flows expected to be derived from the continued use of the asset or CGU. When the carrying amount of a CGU exceeds its recoverable amount, the CGU will be considered impaired and written down to its recoverable amount.

Reversals of impairments are recognized when there has been a subsequent increase in the recoverable amount. In this event, the carrying amount of the asset or CGU is increased to its revised recoverable amount with an impairment reversal recognized in profit or loss. The recoverable amount is limited to the original carrying amount less depreciation, depletion and amortization as if no impairment had been recognized for the asset or CGU for prior periods.

Properties are abandoned either when the lease expires or when management determines that no further work will be performed on the property. In addition, if there has been a delay in development activity for several successive years, a write down of those project capitalized costs will be charged to operations. The Company derecognizes assets at the earlier of disposal, or when no future economic benefit is expected. Any gain or loss on derecognition is recognized in operations when incurred.

**Share-based payments**

The Company has a stock based compensation plan for employees and directors. Awards of options under the plan are expensed based on the fair value of the options at the grant date. Fair values are determined using the Black-Scholes option pricing model. Any consideration paid on the exercise of stock options will be credited to share capital plus the amounts originally recorded within other reserves.

**Revenue recognition**

Interest income is recognized on a pro rata basis over the term of the investment and when payment is reasonably assured.

**Provisions**

The Company will recognize the present value of estimated decommissioning liabilities when a reasonable estimate can be made. Decommissioning liabilities include those legal obligations where the Company will be required to retire tangible long-lived assets such as drilling sites, mine sites and facilities. The liabilities, equal to the initial estimated present value of the decommissioning liabilities, are capitalized as part of the cost of the related long-lived asset. Changes in the estimated obligation resulting from revisions to assumptions, estimated timing or amount of discounted cash flows will be recognized as a change in the decommissioning liabilities and the related costs.

Decommissioning costs will be amortized using the unit-of-production method. Increases in the decommissioning liabilities resulting from the passage of time will be recorded as accretion of decommissioning liabilities and will be charged to operations.

Actual expenditures incurred will be charged against accumulated obligations.

**Derivative financial instruments**

The Company has issued warrants with a cashless exercise option and with an exercise price in a currency other than the functional currency (CAN) that are treated as a derivative liability and therefore measured at fair value. Gains and losses on re-measurement are presented separately in the consolidated statement of loss and comprehensive loss. These instruments are classified as non-current based on their expected life.

CMX GOLD & SILVER CORP.  
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**4. SIGNIFICANT ACCOUNTING POLICIES, continued**

**Warrants classified as equity**

The Company has adopted the pro-rata basis method for the measurement of shares and warrants issued as private placement units. The pro-rata basis method requires that gross proceeds and related share issuance costs be allocated to the common shares and the warrants based on the relative fair value of the component.

The fair value of the common share is based on the closing price on the closing date of the transaction and the fair value of the warrant is determined using the Black–Scholes Option Pricing Model.

The fair value attributed to the warrant is recorded as warrant equity. If the warrant is exercised, the value

attributed to the warrant is transferred to share capital. If the warrant expires unexercised, the value is reclassified to contributed surplus within equity. Warrants, issued as part of private placement units, that have their term of expiries extended, are not subsequently revalued.

The Company may modify the terms of warrants originally granted. When modifications exist, the Company will maintain the original fair value of the warrant.

**Loss per share**

Basic net loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. Diluted per share amounts are computed by giving effect to the potential dilution that would occur if stock options and warrants were exercised. The Company uses the treasury stock method to determine the dilutive effect of stock options and share purchase warrants. This method assumes that proceeds received from the exercise of in-the-money instruments are used to repurchase shares at the average market price for the year. In net loss per share situations, the dilutive per share amount is the same as that for basic, as all instruments are anti-dilutive.

**Standards issued but not yet effective**

The following new IFRS pronouncements have been issued, are not yet effective and have not been early adopted, and may have impact on the Company in future are discussed below.

In 2010, the IASB issued IFRS 9 Financial Instruments, which addresses the classification and measurement of financial assets. The new standard defines two instead of four measurement categories for financial assets, with classification to be based partly on the Company's business model and partly on the characteristics of the contractual cash flows from the respective financial asset. An embedded derivative in a structured product will no longer have to be assessed for possible separate accounting treatment unless the host is a non-financial contract. A hybrid contract that includes a financial host must be classified and measured in its entirety. The IASB has determined the mandatory effective date of IFRS 9 to be January 1, 2018. IFRS 9 is still available for early adoption. The Company is currently assessing the potential impact of the adoption of IFRS 9 on its consolidated financial statements.

On May 28, 2014, the IASB issued International IFRS 15, "Revenue from Contracts with Customers", which is the result of the joint project with the Financial Accounting Standards Board. The new standard replaces the two main recognition standards IAS 18, "Revenue", and IAS 11, "Construction Contracts". The new standard provides a five step model framework as a core principle upon which an entity recognizes revenue and becomes effective January 1, 2018. The Company is currently assessing the potential impact of the adoption of IFRS 15 on the Company's consolidated financial statements.

On January 13, 2016, the IASB issued International IFRS 16, "Leases", which is the result of the joint project with the Financial Accounting Standards Board. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained and becomes effective January 1, 2019. IFRS 16 will not impact the Company's consolidated financial statements until the Company enters into lease arrangements.

CMX GOLD & SILVER CORP.  
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**5. EXPLORATION AND EVALUATION ASSETS**

Total expenditures on exploration and evaluation properties capitalized:	
Balance at December 31, 2015	\$ 714,900
Foreign exchange effect	(21,405)
Balance at December 31, 2015	<u>693,495</u>
Foreign exchange effect	(5,359)
Balance at March 31, 2017	<u>688,136</u>

In 2010, the Company purchased the Clayton Mine property consisting of 29 patented mineral claims and 2 patented mill sites located in the State of Idaho, USA. In 2015, the Company staked 6 unpatented claims.

Exploration expenditures Clayton	– balance December 31, 2015	\$ 314,519
	– 2016 expenditures	<u>3,841</u>
	– balance December 31, 2016	318,360
	– 2017 expenditures	<u>428</u>
	– balance March 31, 2017	318,788
Exploration expenditures Marietta	– balance March 31, 2017	<u>62,887</u>
Total expenditures to March 31, 2017:		<u>\$ 381,675</u>

**6. DUE TO RELATED PARTIES**

During the three months ended March 31, 2017, the Company incurred management fees of \$36,900 (2016 - \$30,188) to a corporation controlled by the spouse of a director of the Company.

During the three months ended March 31, 2017, the Company incurred management fees of \$4,000 (2016 - \$4,000) to the CFO of the Company, these fees are unpaid and included in due to related parties - long-term.

During the three months ended March 31, 2017, the Company incurred consulting fees of \$11,738 (2016 - \$9,225) to the consulting accountant of the Company. A total of \$55,369 is unpaid and included in due to related parties - current.

The Company recognized \$681 (2016 - \$5,938) in share-based compensation with respect to options issued to Executive officers and the consulting accountant to the Company in prior years.

At March 31, 2017, the Company owed to officers and directors, \$514,817 (2016 - \$367,359), of which \$271,697 (2016 - \$146,835) has been deferred, with payment due July 1, 2018 and \$202,594 (2016 - \$193,962) due under the terms of convertible debentures (see note 9) due January 31, 2018. These balances bear an interest rate of 6% per annum.

These transactions were initially measured at fair value and equal the amount of consideration established and agreed upon by the related parties.

**7. LONG-TERM DEBT**

In 2016, a third party agreed to further defer the repayment of \$207,696 to July 1, 2018. Interest of \$6,254 has been accrued to March 31, 2017. This outstanding amount bears interest at a rate of 6% per annum.

The extension of the payment due date was determined not to be a substantial modification of the terms and therefore was not accounted for as an extinguishment.

**8. CONVERTIBLE DEBENTURES**

On January 11, 2016, the Company issued convertible debentures in exchange for \$295,641 in amounts due to related parties and long-term debt. The convertible debentures will mature on January 31, 2018 with no principal repayments until the maturity date. Interest will accrue at a rate of 6% per annum from January 11, 2016, payable every quarter commencing March 31, 2016. Any unpaid interest will be compounded on the interest payment due date.

The convertible debentures are convertible at the holder's option into common shares of the Company at any time prior to the close of business on the earlier of the maturity date and the business day immediately preceding the date fixed for redemption thereof, at the conversion price, being \$0.125 for one common share.

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**8. CONVERTIBLE DEBENTURES, continued**

The convertible debentures are a compound financial instrument. The fair value of the liability component was calculated at \$241,955 utilizing a 15.7% market interest rate. The residual balance of \$53,686 represented the equity component of the debenture and was recorded in contributed surplus net of tax of \$14,495. Interest expense of \$46,444 has been accrued of which \$25,207 represents the non-payable difference between the nominal rate of 6% and the market interest rate of 15.7%.

**9. DERIVATIVE FINANCIAL INSTRUMENTS**

Under the terms of a shares for debt settlement agreement, the company issued warrants to purchase 107,000 shares exercisable for two years at an exercise price of US\$0.15 per share (see note 13). As the price is denominated in US dollars and therefore not fixed in the reporting currency of the Company, the warrants are classified as derivative financial instruments.

A pricing model with observable market based inputs was used to estimate the fair value of the warrants using the following assumptions: a term of two years, a risk-free interest rate (per Bank of Canada) of 0.59% and volatility of 167%.

**10. SHARE CAPITAL**

Authorized

Common voting shares:

The common shares are entitled to dividends in such amounts as the Directors may from time to time declare and, in the event of liquidation, dissolution or winding-up of the Company, are entitled to share pro rata in the assets of the Company.

Series A voting preferred shares:

Non-cumulative annual dividend at 8% of the issued price

Convertible into two Common voting shares

Redeemable at the issue price

Series B voting preferred shares:

Non-cumulative annual dividend at 8% of the issued price

Convertible into two Common voting shares

Redeemable at a price of \$10 per share

The preferred shares rank in priority to the common shares as to the payment of dividends and as to the distribution of assets in the event of liquidation, dissolution or winding-up of the Company. Preferred shares may also be given such other preference over the common shares as may be determined for any series authorized to be issued.

There were no Series A or Series B voting preferred shares issued as at March 31, 2017 or March 31, 2016.

On January 11, 2016, the Company issued 100,000 units at \$0.10 per unit for gross proceeds of \$10,000. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of \$0.20 per share expiring on January 11, 2018.

On November 7, 2016, the Company issued 500,000 units at \$0.10 per unit in settlement of \$50,000 in debt. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of \$0.20 per share expiring on November 7, 2018.

On November 7, 2016, the Company issued 107,000 units at \$0.10 per unit in settlement of \$10,740 in debt, resulting in the recognition of loss on settlement of debt of \$6,793. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of US\$0.15 per share expiring on November 7, 2018.

On January 17, 2017, the Company issued 29,000 units at \$0.10 per unit in settlement of \$2,900 in debt. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of \$0.20 per share expiring on January 17, 2019.

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**10. SHARE CAPITAL, continued**

On January 17, 2017, the Company issued 346,500 units at \$0.10 per unit for gross proceeds of \$34,650. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of \$0.20 per share expiring on January 17, 2019.

On January 17, 2017, the Company issued 480,000 commons shares at US\$0.075 per share in settlement of US\$35,834 in debt.

**11. CONTRIBUTED SURPLUS**

Balance at December 31, 2015	281,771
2016 Share-based payments (note 12)	23,752
Expired warrants (note 13)	88,351
Equity component of convertible debentures (note 8)	53,686
Deferred tax recovery	(14,495)
Balance at December 31, 2016	\$ 433,065
2017 Share-based payments (note 12)	681
Balance at March 31, 2017	\$ 433,746

**12. SHARE-BASED PAYMENTS**

The total number of stock options granted according to the employee stock option plan may not exceed 10% of the issued and outstanding shares of the Company at the time of granting. The option price per share and vesting periods shall be determined by the Board of Directors at the time that the option is granted. The exercise prices are determined by the estimated market price on the date of the grant.

On May 8, 2015, the Company issued 500,000 options to the corporate secretary and consulting accountant of the Company at an exercise price of \$0.105 per share, with the vesting period commencing on May 8, 2015, vesting over a two-year period and expiring on May 8, 2020. The fair value of the options was estimated to be \$48,964.

The Company estimated the fair value of the options issued in 2015 using the Black-Scholes option pricing model with the following assumptions: a term of five years, vesting one-third immediately, one-third on each of the following anniversary dates, a risk-free interest rate (per Bank of Canada) of 1.02%, zero forfeiture rate and volatility of 163%.

A total of \$681 (2016 - \$5,938) in fair value of options was recognized in the current year.

Exercise price (per option)	Number of options outstanding	Weighted average exercise price (per option)	Year of expiry	Weighted average remaining contractual life
\$0.10	2,700,000	\$0.10	2019	2.50 years
\$0.105	500,000	\$0.105	2020	3.11 years
	3,200,000	\$0.101		2.60 years

**13. WARRANTS**

**In 2016:**

The Company estimated the fair value of the following warrants using the Black-Scholes option pricing model with the following assumptions: a term of two years, a risk-free interest rate (per Bank of Canada) of 0.56% and volatility of 183% and 217% respectively.

Warrants to purchase 100,000 common shares at \$0.20 per share, having an expiration date of January 11, 2018 were issued as part of a private placement completed on January 11, 2016. These warrants have been valued at \$3,475.

On April 8, 2016, the Company extended the expiry dates of 3,275,000 warrants exercisable at \$0.20 per share until April 16, 2018; 2,500,000 warrants exercisable at \$0.25 per share until May 28, 2018; 10,231,740 warrants exercisable at \$0.15 per share until June 30, 2018; 750,000 warrants exercisable at \$0.10 per share until October 9, 2018; 1,185,000 warrants exercisable at \$0.20 per share until October 9, 2018; 1,100,000

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**13. WARRANTS, continued**

warrants exercisable at \$0.20 per share until November 24, 2018; and 1,000,000 warrants exercisable at \$0.20 per share until November 28, 2018. Warrants to purchase 500,000 common shares at \$0.20 per share, having an expiration date of November 7, 2018 were issued as part of a shares for debt settlement completed on November 7, 2016. These warrants have been valued at \$19,387.

Warrants to purchase 107,000 common shares at US\$0.15 per share, having an expiration date of November 7, 2018 were issued as part of a shares for debt settlement completed on November 7, 2016. These warrants have been accounted for as derivative financial instruments (see note 9).

Warrants to purchase 3,000,000 common shares at US\$0.10 expired December 11, 2016.

Warrants to purchase 29,000 common shares at \$0.20 per share, having an expiration date of January 17, 2019 were issued as part of a shares for debt settlement completed on January 17, 2017. These warrants have been valued at \$1,298.

Warrants to purchase 346,500 common shares at \$0.20 per share, having an expiration date of January 17, 2019 were issued as part of a private placement completed on January 17, 2017. These warrants have been valued at \$15,506.

On February 21, 2017, the Company extended the expiry dates of 660,000 warrants exercisable at \$0.20 per share until March 4, 2019.

	Warrants Outstanding	Weighted Average Exercise Price - CAD
Balance, December 31, 2015	24,201,740	\$0.17
Expired warrants	(3,000,000)	US\$0.10
Issued with private placements	100,000	\$0.20
Issued for settlement of debt	500,000	\$0.20
Balance, December 31, 2016	21,801,740	\$0.18
Issued with private placements	346,500	\$0.20
Issued for settlement of debt	29,000	\$0.20
Balance, March 31, 2017	22,177,240	\$0.18

Warrants Outstanding and Exercisable	Exercise Price CAD	Expiry Date
2,500,000	\$0.25	May 28, 2018
10,231,740	\$0.15	June 30, 2018
750,000	\$0.10	October 9, 2018
1,185,000	\$0.20	October 9, 2018
3,275,000	\$0.20	April 16, 2018
1,100,000	\$0.20	November 24, 2018
1,000,000	\$0.20	November 28, 2018
660,000	\$0.20	March 4, 2019
500,000	\$0.20	September 16, 2017
100,000	\$0.20	January 11, 2018
500,000	\$0.20	November 7, 2018
346,500	\$0.20	January 17, 2019
29,000	\$0.20	January 17, 2019
22,177,240	\$0.18	

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**14. SUPPLEMENTAL DISCLOSURES**

**Cash Flow Statement Presentation**

The following table provides a detailed breakdown of certain line items contained within the cash flow from operating activities.

	2017	2016
Trade and other receivables	\$ 1,103	\$ (1,748)
Prepaid expenses	8,250	-
Trade and other payables	(83,141)	8,901
Due to related parties	(6,000)	-
Subscriptions received	72,035	(10,000)
	<u>\$ (7,753)</u>	<u>\$ (2,847)</u>

**15. SEGMENTED INFORMATION**

The Company has the following geographical segments:

	Canada	United States
	<u>March 31, 2017</u>	
Identifiable assets	\$ 53,683	\$ 688,136
Exploration expenditures	-	428
	<u>March 31, 2016</u>	
Identifiable assets	\$ 4,072	\$ 669,929
Exploration expenditures	-	-

**16. FINANCIAL INSTRUMENTS**

Set out below is a comparison, by category, of the carrying amounts and fair values of all of the Company's financial instruments that are carried in the consolidated financial statements.

Fair value represents the price at which a financial instrument could be exchanged for in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act.

Fair value of financial instruments	March 31, 2017		March 31, 2016	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
<b>Loans and receivables</b>				
Cash and cash equivalents	\$ 6,202	\$ 6,202	\$ 1,330	\$ 1,330
Trade and other receivables	1,918	1,918	2,742	2,742
	<u>\$ 8,120</u>	<u>\$ 8,120</u>	<u>\$ 4,072</u>	<u>\$ 4,072</u>
Financial liabilities				
<b>Other financial liabilities</b>				
Trade and other payables	\$ 141,459	\$ 141,459	\$ 127,349	\$ 127,349
Subscriptions received	72,035	72,035	-	-
Due to related parties	514,817	513,035	336,608	335,934
Dividends payable	-	-	131,373	131,373
Long-term debt	213,950	212,547	203,516	202,175
Convertible debentures	101,614	101,614	88,790	88,790
<b>FVTPL</b>				
Derivative financial instruments	6,046	6,046	-	-
	<u>\$ 1,049,921</u>	<u>\$ 1,046,736</u>	<u>\$ 887,636</u>	<u>\$ 885,621</u>



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**16. FINANCIAL INSTRUMENTS, continued**

The carrying value of cash and cash equivalents, trade and other receivables, trade and other payables and dividends payable approximate its fair value due to their short-term nature. The fair value of the due to related parties and long-term debt is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The Company is required to classify fair value measurements using a hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is as follow:

- Level 1 – quoted prices in active markets for identical assets or liabilities; and
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3 - inputs that are unobservable and significant to the overall fair value measurement.

Derivative financial instruments are included in Level 2.

The Company is exposed to a variety of financial risks including credit risk, liquidity risk, and market risk. Risk management is carried out by the Company’s management team with guidance from the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

**a) Credit risk**

Credit risk is the risk of loss associated with the counterparty’s inability to fulfill its payment obligations. The Company’s credit risk is primarily attributable to cash and cash equivalents, and trade and other receivables. Cash is held with reputable chartered banks from which management believes the risk of loss is minimal. Included in trade and other receivables are taxes receivable from Canadian government authorities. Management believes that the credit risk concentration with respect to financial instruments is minimal. The maximum credit risk exposure associated with the Company’s financial assets is the carrying value.

**b) Liquidity risk**

Liquidity risk is that the Company will not be able to meet its obligations as they become due. The Company’s approach to managing liquidity risk is to ensure that it will have sufficient resources to meet liabilities when due. As at March 31, 2017, the Company had a net working capital deficiency of \$504,545 (2016 - \$281,212). Management is continuously monitoring its working capital position and will raise funds through the equity markets as they are required. However, there is no certainty that the Company will be able to obtain funding by share issuances in the future. The Company is presently seeking to raise capital through an equity offering.

The following amounts are the contractual maturities of financial liabilities and other commitments as at March 31, 2017:

	Total	2017	1 – 2 years
Trade and other payables	\$ 141,459	\$ 141,459	\$ -
Subscriptions received	72,035	72,035	-
Due to related parties	514,817	243,120	271,697
Long-term debt	213,950	-	213,950
Convertible debentures	101,614	101,614	-
Derivative financial instruments	6,046	-	6,046
	<u>\$ 1,049,921</u>	<u>\$ 558,228</u>	<u>\$ 491,693</u>

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**16. FINANCIAL INSTRUMENTS, continued**

**c) Market risk**

Market risk is the risk of loss that may arise from changes in the market factors such as interest rates, commodity and equity prices and foreign currency rates.

i. Interest rate risk

The Company has cash balances and its current policy is to invest excess cash in investment-grade short-term money market accounts. The Company periodically monitors the investments it makes and is satisfied with the credit worthiness of its investments. Interest rate risk is minimal as interest rates are anticipated to remain at historically low levels with little fluctuation and any excess cash is invested in money market funds. Fluctuations in interest rates do not materially affect the Company as it either does not have significant interest-bearing instruments or the interest is at a fixed rate.

ii. Foreign currency risk

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is exposed to foreign currency exchange risk on cash held in US funds. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Foreign currency risk could adversely affect the Company, in particular the Company's ability to operate in foreign markets. Foreign currency exchange rates have fluctuated greatly in recent years. There is no assurance that the current exchange rates will mirror rates in the future.

The Company currently has minimal foreign currency risk although in the future foreign currency risk may affect the level of operations of the Company. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

As the Company currently holds minimal US currency a change in the exchange rate between the US dollar and the Canadian dollar would not have a significant effect on the Company liquidity or working capital. The Company is exposed to currency risk as its the functional currency of its subsidiary is US dollars. A 5% appreciation in the US currency would result in a loss of \$34,407 in other comprehensive income and a 5% depreciation in the US currency would result in a gain of \$32,506 in other comprehensive income.

**17. CAPITAL MANAGEMENT**

The Company's objectives in managing its capital are:

- i) To have sufficient capital to ensure that the Company can continue to meet its commitments with respect to its mineral exploration properties and to meet its day to day operating requirements in order to continue as a going concern; and
- ii) To provide a long-term adequate return to shareholders.

The Company's capital structure is comprised of shareholders' deficiency.

The Company is an exploration stage company which involves a high degree of risk. The Company has not determined whether its proposed properties contain economically recoverable reserves of ore and currently will not earn any revenue from its mineral properties and therefore will not generate cash flow from operations. The Company's primary source of funds will come from the issuance of share capital. The Company's policy is to invest its excess cash in highly liquid, fully guaranteed, bank sponsored instruments.

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 Company. The Company is not subject to externally imposed capital requirements. There have been no changes in the Company's capital management in the current year.

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**18. COMMITMENTS**

The Company has the following commitments in 2017:

Clayton property \$2,200 related to property taxes and claims fees

**19. SUBSEQUENT EVENTS**

There are no subsequent events to report.