Honey Badger Exploration Inc.

Audited Consolidated Financial Statements

For the Years Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Honey Badger Exploration Inc.

We have audited the accompanying consolidated financial statements of Honey Badger Exploration Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Honey Badger Exploration Inc. 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 consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Honey Badger Exploration Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

May 1, 2017

Honey Badger Exploration Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	December 31, 2016	December 31, 2015
Assets		
Current Assets:		
Cash and Cash Equivalents	$ 51,263	$ 281,656
Marketable Securities (note 3)	-	84,390
Amounts Receivable (note 5)	41,757	15,642
Prepaid Expenses	1,000	20,040
Total Assets	**$ 94,020**	**$ 401,728**
Liabilities		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$ 319,089	$ 126,500
Deferred Flow-Through Premium (note 6)	48,200	80,865
Flow-Through Provision (note 7)	430,294	335,015
Total Liabilities	797,583	542,380
Shareholders' Deficiency		
Share Capital (note 8)	5,591,833	5,517,397
Contributed Surplus	1,479,986	1,363,734
Warrant Reserve (note 10)	417,793	257,285
Accumulated Other Comprehensive Loss	-	(5,474)
Accumulated Deficit	(8,193,175)	(7,273,594)
Total Shareholders' Deficiency	(703,563)	(140,652)
Total Liabilities and Shareholders' Deficiency	**$ 94,020**	**$ 401,728**

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

Nature of operations and going concern *(note 1)*

Commitments and contingencies *(note 11)*

Approved by the Board of Directors

Signed: *"John Sanderson"* Signed: *"Craig Scherba"*

Director Director

Honey Badger Exploration Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	Year Ended December 31, 2016	Year Ended December 31, 2015
Expenses		
Exploration expenditures (notes 4, 5)	$ 345,744	$ 188,249
Payroll and professional fees (note 5)	150,544	40,826
General and administrative	166,808	69,413
Part XII.6 taxes (note 7)	1,605	162,055
Forgiveness of deferred compensation (note 5)	-	(397,777)
Deferred flow-through premiums (note 6)	(80,865)	(23,365)
Contingent Provision (note 7)	328,294	102,000
Gain on Foreign Exchange	(833)	-
Interest Expense (income)	149	(694)
Realized loss (gain) from marketable securities (note 3)	8,135	(14,539)
Loss for the Year	(919,581)	(126,168)
Changes in fair value of marketable securities (note 3)	5,474	38,126
Loss and Comprehensive Loss for the Year	(914,107)	(88,042)
Loss per share – basic and diluted	$ (0.01)	$ (0.00)
Weighted average shares outstanding	98,767,437	79,130,517

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

Honey Badger Exploration Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Year Ended	
	December 31, 2016	**December 31, 2015**
Operating Activities		
Loss for the Year	$ (919,581)	$ (126,168)
Adjustments for non-cash items:		
Property acquired through shares	120,000	100,000
Deferred flow-through premiums	(80,865)	(23,365)
Forgiveness of deferred compensation	-	(397,777)
Interest Income	-	(694)
Realized loss (gain) on disposal of marketable securities	8,135	(14,539)
Change in working capital items:		
Amounts receivable	(26,115)	10,844
Prepaid expenses	19,040	(3,998)
Accounts payable and accrued liabilities	192,589	95,878
Flow-through provision	95,279	234,042
Net cash used in operating activities	(591,518)	(125,777)
Investing Activities		
Interest Income	-	694
Proceeds on sale of marketable securities	81,729	54,375
Net cash provided by investing activities	81,729	55,069
Financing Activities		
Proceeds from private placement	344,000	200,000
Share issue costs	(64,604)	(27,735)
Net cash provided by financing activities	279,396	172,265
Net (decrease) increase in cash and cash equivalents	(230,393)	101,557
Cash and cash equivalents - beginning of year	281,656	180,099
Cash and cash equivalents - end of year	51,263	281,656
Cash and Cash Equivalents:		
Cash	$ 23,835	$ 226,581
Cash equivalents	27.428	55,075
	$ 51,263	$ 281,656
Supplemental Disclosures:		
Change in fair value of marketable securities	5,474	38,126
Interest received as cash	-	694

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

Honey Badger Exploration Inc.
Consolidated Statements of Changes in Shareholder's Deficiency
(Expressed in Canadian Dollars)

	Shares #	Share Capital $	Contributed Surplus $	Warrant Reserve $	Accumulated Other Comprehensive Income (Loss) $	Accumulated Deficit $	Total $
Balance - December 31, 2014	**77,330,517**	**5,349,565**	**1,363,734**	**192,852**	**(43,600)**	**(7,147,426)**	**(284,875)**
Private placement	4,000,000	200,000					200,000
Fair value of warrants issued		(54,604)		54,604			-
Fair value of Broker warrants issued		(9,829)		9,829			-
Fair value of flow-through premium recognized		(40,000)					(40,000)
Cost of issue		(27,735)					(27,735)
Fair value of shares issued for property acquisition	10,000,000	100,000					100,000
Change in fair value of marketable securities					38,126		38,126
Loss for the year						(126,168)	(126,168)
Balance – December 31, 2015	**91,330,517**	**5,517,397**	**1,363,734**	**257,285**	**(5,474)**	**(7,273,594)**	**(140,652)**
Private placement	9,458,332	344,000					344,000
Fair value of warrants issued		(256,734)		256,734			-
Fair value of Broker warrants issued		(20,026)		20,026			-
Fair value of flow-through premium recognized		(48,200)					(48,200)
Fair value of expired warrants			116,252	(116,252)			-
Cost of issue		(64,604)					(64,604)
Fair value of shares issued for property acquisition	4,000,000	120,000					120,000
Change in fair value of marketable securities					5,474		5,474
Loss for the year						(919,581)	(919,581)
Balance – December 31, 2016	**104,788,849**	**5,591,833**	**1,479,986**	**417,793**	**-**	**(8,193,175)**	**(703,563)**

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

1. Nature of Operations and Going Concern

Honey Badger Exploration Inc. (the "Company") was founded in 1992 for the purpose of the acquisition, exploration, and development of mining properties. The Company's head office and the primary location of its registered records is 141 Adelaide Street West, Suite 520, Toronto, Ontario, M5H 3L5. The Company owns a wholly owned subsidiary 606596 Alberta Ltd.

As at December 31, 2016, the Company had a working capital deficit of $703,563 and an accumulated deficit of $8,193,175. These conditions cast significant doubt about the Company's ability to continue as a going concern.

The accompanying consolidated financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company is currently in the exploration stage and has not commenced commercial operations.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations and fund its mining interest expenditures is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Theses consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore need to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements.

2. Significant Accounting Policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance and comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

The consolidated financial statements were approved by the Board of Directors on May 1, 2017.

(b) Basis of presentation

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

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary 606596 Alberta Ltd., which is not active and has no assets in the current or prior year. All intercompany balances and transactions have been eliminated.

(d) Significant accounting judgements and estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period.

Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods. Significant accounting judgments, estimates and underlying assumptions are reviewed on an ongoing basis.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could have an effect on the amounts recognized in the financial statements relate to the following:

Going concern

The preparation of the financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1 of the financial statements.

Deferred taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

Deferred Flow-Through Premium Estimates

Recorded costs of flow-through share premium liabilities reflect premiums received by the Company on the issue of flow-through shares. The premium is subject to measurement uncertainties and requires the Company to assess the value of non-flow-through shares. The determination is subjective and does not necessarily provide a reliable single measure of the fair value of the premium liability. The fair values of the flow-through premiums are disclosed in Note 6 of the financial statements.

2. Significant Accounting Policies (Continued)

Share-based compensation

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share based payment expense for the year along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in Note 10 of the financial statements.

Deferred Compensation

From time to time the Company accrues compensation, included in accounts payable and accrued liabilities, which represents future compensation for management services and involves significant management judgments. The Company reviews the deferred compensation balance annually to ensure the balance appropriately represents the Company's estimate of what will be paid in cash or settled through share-based payments in future periods. Any reduction is recorded as a forgiveness of deferred compensation costs.

(e) Foreign currencies

The presentation currency of the Company and the functional currency of the Company is the Canadian dollar.

(f) Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

- Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.
- Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment.
- Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss and comprehensive loss.
- Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income / (loss) and recognized in the statement of loss and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each financial position reporting date. Financial assets are impaired when there is objective evidence that the cash flows related to a financial asset or group of financial assets have been negatively impacted. Different criteria to determine impairment are applied for each category of financial assets described above.

2. Significant Accounting Policies (Continued)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the corresponding asset was acquired. The Company's accounting policy for each category is as follows:

- Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.
- Other financial liabilities - This category includes other non-derivative accounts payables and accrued liabilities, which are recognized at amortized cost.

Financial instruments recorded at fair value in the statement of financial position are classified according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

The Company’s financial instruments consist of the following:

Financial assets:

- Cash and cash equivalents classified as fair value through profit or loss
- Marketable securities classified as fair value through profit or loss
- Amounts receivables classified as loans and receivables

Financial liabilities:

- Accounts payable and accrued liabilities classified as other financial liabilities
- Flow-through provision classified as other financial liabilities

The fair value of the Company’s amounts receivable and accounts payable and accrued liabilities approximate the carrying value, which is the amount recorded on the statements of financial position. The Company’s other financial instruments, cash and cash equivalents and marketable securities under the fair value hierarchy, are based on level 1 prices in active markets for identical assets or liabilities.

(g) Cash and cash equivalents

Cash equivalents include money market instruments which are readily convertible into cash or have maturities at the date of purchase of less than ninety days.

(h) Mineral properties and exploration expenditures

The Company expenses all costs relating to the acquisition of, exploration for and development of mineral claims and credits all revenues received against the exploration expenditures. Such costs include, but are not limited to acquisition costs, geological, geophysical studies, exploratory drilling and sampling.

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)

(i) Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive loss depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(j) Share-based payment transactions

The stock option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each period end, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

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

(k) Asset retirement obligation

IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, provides guidance relating to asset retirement obligations. An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and charged to expenses as an exploration cost, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflect the time value of money are used to calculate the net present value. The related liability is adjusted each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

As at December 31, 2016 and 2015, the Company had no asset retirement obligations.

(l) Loss per share

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

2. Significant Accounting Policies (Continued)

(m) Marketable securities

Marketable securities consist of equity securities over which the Company does not have control or significant influence.

(n) Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is deferred and recognized as other income as the expenditure incurs, and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

(o) Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2016 reporting period. Management believes the following standards will not have a significant impact on the Company's financial statements:

IFRS 9 Financial Instruments ("IFRS 9") was initially issued by the IASB in November 2009 and issued in its completed version in July 2014, and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. 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. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

In January 2016, the IASB issued IFRS 16, Leases (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-statement of financial position finance leases and off- statement of financial position operating leases. Instead, there is a single, on- statement of financial position accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

3. Marketable Securities

The following table sets out the changes to the marketable securities:

	Marketable Securities $
Balance – December 31, 2014	$ 86,100
Realized gain reported to profit or loss	14,539
Changes in fair value through Other Comprehensive Income	38,126
Proceeds of Disposition	(54,375)
Balance – December 31, 2015	$ 84,390
Realized loss reported to profit or loss	(8,135)
Changes in fair value through Other Comprehensive Income	5,474
Proceeds of Disposition	(81,729)
Balance – December 31, 2016	**$ -**

4. Mineral Properties

Exploration and Evaluation Expenditures

The following table summarizes the cumulative exploration and evaluation expenditures the Company has incurred on its various properties:

	LG Diamond Property $	**Wemindji Property $**	**Other Properties $**	**All Exploration Properties $**
Balance – December 31, 2014	**-**	**-**	**2,386,429**	**2,386,429**
Claim Acquisition Costs	100,000	-	-	100,000
Exploration Expenditures	62,349	-	25,900	88,249
Balance – December 31, 2015	**162,349**	**-**	**2,412,329**	**2,574,678**
Claim Acquisition Costs	-	130,000	-	130,000
Exploration Expenditures	215,119	-	625	215,744
Balance – December 31, 2016	**377,468**	**130,000**	**2,412,954**	**2,920,422**

During the year ended December 31, 2016:

a) The Company incurred exploration and evaluation expenditures of $215,119 on the LG Diamond Property (2015: $162,349), $130,000 on the Wemindji Property (2015: $nil) and $625 on other properties (2015: $25,900).

LG Diamond Property, Quebec

On September 29, 2015, the Company entered into an agreement with 9019-5504 Quebec Inc. (the "Vendor") to acquire the LG Diamond Project located in the Jamesie County Municipality, James Bay Region of Quebec. As consideration, the Company issued 10,000,000 common shares at a value of $0.01 each and granted a 2% net smelter returns ("NSR") royalty to the Vendor. One half, or 1% of the NSR can be bought back for $1,000,000 and the remaining 1% for $2,000,000. The purchase transaction closed on October 23, 2015.

Wemindji Property

On May 26, 2016, the Company entered into an agreement to acquire the Wemindji Property, which consists of 29 claims located south-east of Wemindji, in the James Bay region of Québec. The acquisition costs consisted of the payment of $10,000 cash and the issuance of 4,000,000 common shares of the Company with a fair value of $120,000. The Company is also required to grant of a 2% net smelter return ("NSR") royalty to the property vendors. The 2% NSR may be bought back from the vendors for $2,000,000. The vendors are at arm's length to the Company. The cash payments were completed in August 2016. On September 16, 2016, the Company issued the 4,000,000 common shares owed to the property vendors.

4. Mineral Properties (Continued)

Other Properties

- Bear Limonite Creek property

  The Bear Limonite Creek property in British Columbia consisted of 2 claims with early stage copper and gold exploration targets. The Company decided in 2015 that it would not pursue any further activities on the property and the claims were allowed to lapse during the year ended December 31, 2016.

- Sagar Property, Quebec

  On February 28, 2014, the Company entered into a purchase and sale agreement with Energizer Resources Inc. ("Energizer"), a company related by common management. On July 31, 2014 (the "Effective Date") the purchase and sale agreement was replaced by an option agreement (the "Option Agreement") entered into between the Company and Energizer pursuant to which the Company was granted an earn-in option to acquire up to a 100% interest in the Sagar Property in consideration of cash payments, share issuances and work commitment expenditures. This option agreement was further revised on May 8, 2015.

  As of December 31, 2015, the Company had not satisfied the terms of the option agreement. The Company no longer has an interest in this project.

5. Related Party Transactions and Balances

Related parties as defined by IAS 24 *Related Party Disclosures* include the members of the Board of Directors, key management personnel and any companies controlled by these individuals. Key management personnel include those persons having authority and responsibility for planning, directing and controlling activities of the Company.

Key management personnel for the Company consists of the CEO, CFO and VP Exploration.

The following transactions occurred with related parties during the year ended December 31, 2016:

a) Key management personnel received cash compensation of $26,850 (2015 – $23,080), which has been recorded as exploration expenditures on the Statement of Loss and Comprehensive Loss.
b) A corporation controlled by the CFO received cash compensation of $49,550 (2015 – $7,100), which has been recorded as payroll and professional fees on the Statement of Loss and Comprehensive Loss.
c) Deferred compensation owed to certain directors, consultants and key management was waived resulting in a forgiveness of $nil (2015 - $397,777).
d) A corporation under common management control was contracted for exploration services by the Company and was paid a total of $nil (2015 - $46,130).
e) The Company incurred $nil exploration expenditures (2015 - $22,715) on the Sagar property, a property owned by a corporation under common management control.

As of December 31, 2016, the following related party balances were outstanding:

a) A corporation under common management control owed $18,650 (December 31, 2015: $nil) to the Company for the reimbursement of joint severance expenditures, which has been included in amounts receivable.
b) The Company owed $11,801 to a corporation under common management control (December 31, 2015: $52,127), which has been included in accounts payable and accrued liabilities.
c) The Company owed $nil to a corporation controlled by the CFO (December 31, 2015: $8,023).

6. Deferred Premium on Flow-Through Shares

The following table sets out the changes to the deferred premium balances:

Financing Series	**2014 F/T Series**	**2015 F/T Series**	**2016 F/T Series**	**Total**
Balance – December 31, 2014	**$ 64,230**	**$ -**	**$ -**	**$ 64,230**
Recognition of Deferred Premium	-	40,000	-	40,000
Decrease of Deferred Premium	(23,365)	-	-	(23,365)
Balance – December 31, 2015	**$ 40,865**	**$ 40,000**	**$ -**	**$ 80,865**
Recognition of Deferred Premium	-	-	48,200	48,200
Decrease of Deferred Premium	(40,865)	(40,000)	-	(80,865)
Balance – December 31, 2016	**$ -**	**$ -**	**$ 48,200**	**$ 48,200**

7. Provision for Flow-Through Shares

During the year ended December 31, 2014:

- The Company recorded a contingent provision of $100,973 for the subscriber liability related to the 2011 F/T series, which was calculated using a 35% combined rate applied against the estimated CEE shortfall.

During the year ended December 31, 2015:

- The Company increased the contingent provision to a total of $335,015 consisting of $102,000 for the subscriber liability related to the 2011 F/T series, which was calculated using a 35% combined rate applied against the estimated CEE shortfall, and $132,042 for the Part XII.6 taxes.

During the year ended December 31, 2016:

- Based on the results of a CRA audit for the years ended December 31, 2011 and 2012 it was determined there was a shortfall of $1,022,839 in qualified CEEs for the 2011 F/T Series. As a result:
  - The 2011 contingent provision for the obligation to 2011 FT series subscribers was increased by $155,021 to $357,994, which was calculated using a 35% combined rate applied against the estimated CEE shortfall.
  - The provision for Part XII.6 taxes was increased by $100,973. Upon receiving an invoice from the CRA for a total of $233,015 in Part XII.6 taxes and penalties, this amount was reclassified to accounts payable.
- The Company determined there was a shortfall of $206,571 in qualified CEEs for the 2014 F/T Series. As a result, a contingent provision for the obligation to 2014 FT series subscribers was recognized of $72,300, which was calculated using a 35% combined rate applied against the estimated CEE shortfall. All Part XII.6 taxes related to the 2014 F/T series and the associated shortfall were expensed during the year ended December 31, 2015 and have been paid to the CRA.

The following table sets out the changes to the provision for the obligation to flow-through subscribers:

Financing Series	**2011 F/T Series**	**Part XII.6 Tax**	**2014 F/T Series**	**Total Provision**
CEE Commitments to the Calendar Year Ending	December 31, 2012	December 31, 2012	December 31, 2015	
Balance – December 31, 2014	**$ 100,973**	**$ -**	**$ -**	**$ 100,973**
Increase of F/T Provision	102,000	132,042	-	234,042
Balance – December 31, 2015	**$ 202,973**	**$ 132,042**	**$ -**	**$ 335,015**
Recognition of F/T Provision			72,300	72,300
Increase of F/T Provision	155,021	100,973		255,994
Reclassification to Accounts Payable		(233,015)		(233,015)
Balance – December 31, 2016	**$ 357,994**	**$ -**	**$ 72,300**	**$ 430,294**

8. Share Capital

The authorized share capital consists of an unlimited number of common shares. The common shares have no par value.

As at December 31, 2016 the Company had 104,788,849 issued and outstanding common shares (December 31, 2015: 91,330,517). All issued and outstanding common shares are fully paid.

(a) Common Share Financings during the year ended December 31, 2016

On April 26, 2016, the Company issued 2,275,000 flow-through units ("FT Units") at a price of $0.04 per FT Unit and 3,433,332 common share units ("Common Units") at a price of $0.03 per Common Unit. Each FT Unit consists of one common share issued on a "flow-through" basis, as defined in the Income Tax Act (Canada), and one common share purchase warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.07 for a period of three years. Each Common Unit consists of one common share and one common share purchase warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.05 for a period of three years. In connection with the financing, the Company incurred share issue costs of $5,544, paid cash compensation of $22,500 and issued 456,667 compensation warrants, with each compensation warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.10 for a period of three years.

On May 12, 2016, the Company issued 3,750,000 flow-through units ("FT Units") at a price of $0.04 per FT Unit. Each FT Unit consists of one common share issued on a "flow-through" basis, as defined in the Income Tax Act (Canada), and one common share purchase warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.07 for a period of three years. In connection with the financing, the Company also paid cash compensation of $12,000 and issued 300,000 compensation warrants, with each compensation warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.10 for a period of three years.

(b) Common Shares Issued for Property Acquisition during the year ended December 31, 2016

On September 16, 2016, in connection with the Wemindji claims property purchase agreement, the Company issued 4,000,000 common shares at a fair value at $120,000 or $0.03 per common share (note 4).

(c) Common Share Financings during the year ended December 31, 2015

On December 24, 2015 the Company issued 4,000,000 flow-through units ("FT Units") at a price of $0.05 per FT unit. Each FT Unit consists of one common share issued on a "flow-through" basis, as defined in the Income Tax Act (Canada), and one half of one common share purchase warrant. Each full warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.055 for a period of three years. The Company also issued 360,000 broker warrants in connection to financing at the same terms as the warrants.

(d) Common Shares Issued for Property Acquisitions during the year ended December 31, 2015

On October 29, 2015, the Company issued 10,000,000 shares valued at $0.01 each to the vendor of the LG Diamond Property.

9. Stock Options

The Company has a stock option plan (the "Plan") under which the Board of Directors of the Company may grant stock options to eligible participants including directors and officers of the Company.

The exercise price of the options cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years. The Board, in accordance with applicable Exchange or other regulatory requirements, if any, will determine the vesting period. There is no minimum vesting period unless the optionee is engaged in Investor Relation Activities. The maximum aggregate number of common shares under option at any time under the Plan cannot exceed 10% of the issued shares. The fair value of share-based compensation is recognized as contributed surplus upon issuance.

The following is a continuity schedule for each series of stock options outstanding from December 31, 2015 to December 31, 2016:

Expiry Date	Exercise Price	Outstanding And Exercisable December 31, 2015	Granted	Exercised	Expired or Cancelled	Outstanding And Exercisable December 31, 2016
June 30, 2016	$ 0.10	1,590,000	-	-	(1,590,000)	-
July 19, 2016	$ 0.10	875,000	-	-	(875,000)	-
October 5, 2016	$ 0.10	1,435,000	-	-	(1,435,000)	-
Total	$ 0.10	3,900,000	-	-	(3,900,000)	-

The following is a continuity schedule for each series of stock options outstanding from December 31, 2014 to December 31, 2015:

Expiry Date	Exercise Price	Outstanding And Exercisable December 31, 2014	Granted	Exercised	Expired or Cancelled	Outstanding And Exercisable December 31, 2015
December 31, 2015	$ 0.10	2,780,000	-	-	(2,780,000)	-
June 30, 2016	$ 0.10	1,815,000	-	-	(225,000)	1,590,000
July 19, 2016	$ 0.10	940,000	-	-	(65,000)	875,000
October 5, 2016	$ 0.10	1,550,000	-	-	(115,000)	1,435,000
Total	$ 0.10	7,085,000	-	-	(3,185,000)	3,900,000

10. Warrants

The Company has issued warrants as part of equity financings. The fair value of warrants is recognized upon issuance as an equity reserve until expiration or exercise.

The following is a continuity schedule for the warrants outstanding from December 31, 2015 to December 31, 2016:

Expiry Date	Exercise Price	Outstanding And Exercisable December 31, 2015	Issued	Exercised	Expired or Cancelled	Outstanding And Exercisable December 31, 2016	Ending Fair Value
September 27, 2016	$ 0.20	7,010,000	-	-	7,010,000	-	-
December 12, 2016	$ 0.05	427,000	-	-	427,000	-	-
December 12, 2019	$ 0.05	6,449,800	-	-	-	6,449,800	$ 76,600
December 24, 2018	$ 0.055	2,000,000	-	-	-	2,000,000	$ 54,604
December 24, 2018	$ 0.055	360,000	-	-	-	360,000	$ 9,829
April 26, 2019	$ 0.07	-	2,275,000	-	-	2,275,000	$ 61,392
April 26, 2019	$ 0.05	-	3,433,332	-	-	3,433,332	$ 94,147
April 26, 2019 (a)	$ 0.10	-	456,667	-	-	456,667	$ 12,086
May 12, 2019	$ 0.07	-	3,750,000	-	-	3,750,000	$ 101,195
May 12, 2019 (b)	$ 0.10	-	300,000	-	-	300,000	$ 7,940
Total	**$ 0.06**	16,246,800	10,214,999	-	7,437,000	19,024,799	$ 417,793

(a) The Company issued 456,667 broker warrants. The fair value of these warrants was calculated using the Black-Scholes model with a volatility of 211%, dividend yield of 0%, expected life of 3 years and a compound risk free rate of 0.50%.
(b) The Company issued 300,000 broker warrants. The fair value of these warrants was calculated using the Black-Scholes model with a volatility of 211% dividend yield of 0%, expected life of 3 years and a compound risk free rate of 0.50%.

The following is a continuity schedule for the warrants outstanding from December 31, 2014 to December 31, 2015:

Expiry Date	Exercise Price	Outstanding And Exercisable December 31, 2014	Issued	Exercised	Expired or Cancelled	Outstanding And Exercisable December 31, 2015	Ending Fair Value
September 27, 2016	$ 0.20	7,010,000	-	-	-	7,010,000	$ 99,300
December 12, 2016	$ 0.05	427,000	-	-	-	427,000	$ 16,952
December 12, 2019	$ 0.05	6,449,800	-	-	-	6,449,800	$ 76,600
December 24, 2018	$ 0.055	-	2,000,000	-	-	2,000,000	$ 54,604
December 24, 2018	$ 0.055	-	360,000	-	-	360,000	$ 9,829
Total	**$ 0.12**	13,886,800	2,360,000	-	-	16,246,800	$ 257,285

11. Commitments and Contingencies

(a) Severance Agreement

On April 30, 2016, the Company reached a settlement agreement with its former CEO, whereby a severance of $27,000 was awarded. The Company expensed this claim to payroll and professional fees during the year ended December 31, 2016.

(b) Statement of Claim

On July 30, 2016, the Company concluded a legal settlement with the Company's former Chief Financial Officer, whereby a severance of $10,740 was awarded. The Company expensed this claim to payroll and professional fees during the year ended December 31, 2016.

(c) Flow-Through Expenditure Commitments

The Company competed flow-through share financings that involve a commitment to incur Canadian exploration Expenditures ("CEEs") prior to the end of specific calendar years and to renounce the CEE tax deductions to the subscribers. The flow-through commitments as at December 31, 2016 is $241,000 (2015: $200,000).

(d) Management Contracts

The Company is a party to a management contract. This contract contains clauses requiring that up to $48,000 could be paid upon a change of control of the Company. As the likelihood of this event taking place is not determinable, such contingent payment has not been reflected in these consolidated financial statements.

12. Income Taxes

The reconciliation of income tax provision completed at statutory rates to the reported income tax provision is as follows:

	Year ended December 31, 2016 $	Year ended December 31, 2015 $
Net loss for the year	(919,581)	(126,168)
Income tax recovery at statutory tax rates	(239,000)	(33,000)
Permanent difference	65,000	(85,000)
Impact of flow through shares	52,000	20,000
Share issue cost	(23,000)	(7,000)
Change in unrecognized deductible temporary differences	143,000	86,000
Other	2,000	19,000
Income tax provision	$ -	$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	December 31, 2016 $		December 31, 2015 $	
Mineral properties	2,260,000	no expiry	2,118,000	no expiry
Investment tax credit	37,000	2031	37,000	2031
Property and equipment	1,000	no expiry	1,000	no expiry
Share issue costs	112,000	2037 - 2040	63,000	2035 - 2039
Marketable securities	-	no expiry	274,000	no expiry
Allowable capital losses	242,000	no expiry	104,000	no expiry
Non-capital losses available for future periods	3,123,000	2026 - 2036	2,766,000	2026 - 2035

Tax attributes are subject to review, and potential adjustment, by tax authorities.

13. Capital Management

As of December 31, 2016, the Company had a working capital deficit of $703,563.

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

In managing liquidity, the Company's primary objective is to ensure the entity can continue as a going concern while raising additional funding to meet its obligations as they come due. The Company's operations to date have been funded by issuing equity. The Company expects to improve the working capital position by securing additional financing.

The Company's investment policy is to invest excess cash in very low risk financial instruments such as term deposits or by holding funds in high yield savings accounts with major Canadian banks. Financial instruments are exposed to certain financial risks, which may include currency risk, credit risk, liquidity risk and interest rate risk.

The Company's mineral property interests are all in the exploration stage, as such the Company is dependent on external financing to fund its exploration activities and administrative costs. Management continues to assess the merits of mineral properties on an ongoing basis and may seek to acquire new properties or to increase ownership interests if it believes there is sufficient geologic and economic potential.

Management mitigates the risk and uncertainty associated with raising additional capital in current economic conditions through cost control measures that minimizes discretionary disbursements and reduces exploration expenditures that are deemed of limited strategic value.

The Company manages the capital structure (consisting of shareholders' deficiency) on an ongoing basis and makes adjustments in response to changes in economic conditions and risks characteristics of its underlying assets. Adjustments to the Company capital structure may involve the issue of new shares, issue of new debt, acquisition or disposition of assets, or adjustments to the amounts held in cash, cash equivalents and short-term investments.

The Company is not subject to any externally imposed capital requirements other than flow-through spending.

13. Financial Instrument Risk Factors

The following disclosures are to enable users of the consolidated financial statements to evaluate the nature and extent of risks arising from financial instruments at the end of the reporting year:

a) Credit risk

The Company's credit risk is the risk of counterparty default on cash and cash equivalents held on deposit with financial institutions. The Company manages this risk by ensuring that deposits are only held with large Canadian banks and financial institutions. The Company’s amounts receivable related to sales taxes have negligible counterparty default risk. The Company’s amounts receivable related to companies related by common management are subject to counterparty default risk.

b) Liquidity risk

The Company’s liquidity risk is the risk that Company has insufficient funds to settle its contractual financial liabilities. The Company manages this risk by ensuring sufficient funds are available as contractual cash flows become due.

As at December 31, 2016, the Company had a cash balance of $51,263 (December 31, 2015: $281,656) to settle current liabilities of $797,583 (December 31, 2015: $542,380). As a result, the Company is exposed to liquidity risk.

While the Company has been successful in obtaining required funding in the past, there is no assurance that future financings will be available.

c) Market risks

The Company’s market risk arises from changes in interest rates and commodity prices that could have an impact on profit or loss. This includes:

- Interest rate risk, is the sensitivity of the fair value or of the future cash flows of a financial instrument to changes in interest rates. The Company does not have any financial assets or liabilities that were subject to variable interest rates.

- Commodity price risks, particularly with respect to diamonds, is the sensitivity of the fair value of or of the future cash flows of mineral assets. The Company manages this risk by continually monitoring base and precious metal prices and commodity price trends to determine the appropriate timing for funding the exploration or development of its mineral assets, or for the acquisition or disposition of mineral assets.

- Currency risk, is the sensitivity of the fair value or of the future cash flows of financial instruments to changes in foreign exchange rates. The Company does not have any financial assets or liabilities that were subject to variable foreign exchange rates and as such the Company is not subject to currency risk.