PACIFIC BAY MINERALS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

LANCASTER & DAVID
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Pacific Bay Minerals Ltd.:

We have audited the accompanying consolidated financial statements of Pacific Bay Minerals Ltd., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 Pacific Bay Minerals Ltd. 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 2 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Pacific Bay Minerals Ltd. to continue as a going concern.

/s/ Lancaster & David
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, BC
May 3, 2017

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PACIFIC BAY MINERALS LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31

	Note		2016		2015
ASSETS					
Current assets					
Cash		$	941	$	2,523
GST recoverable			264		2,507
			1,205		5,030
Non-current assets					
Equipment	4		4,820		6,025
Exploration and evaluation assets	5		645,515		562,435
Investment in jade production	6		-		475,053
Reclamation deposits			12,000		16,903
			662,335		1,060,416
Total assets		$	663,540	$	1,065,446
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	7	$	192,972	$	214,026
Amounts due to related parties	8		405,355		331,052
Loans payable to a related party	8		244,855		244,855
Flow-through share premium liability			-		14,003
Total liabilities			843,182		803,936
Equity					
Share capital	9		12,915,582		12,813,582
Share-based payments reserve	10		2,943,481		2,943,481
Deficit			(16,038,705)		(15,495,553)
Total equity			(179,642)		261,510
Total liabilities and equity		$	663,540	$	1,065,446

Event after the reporting period (Note 16)

The financial statements were authorized for issue by the board of directors on May 3, 2017 and were signed on its behalf by:

"David H. Brett" Director *"Doug Blanchflower"* Director

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

PACIFIC BAY MINERALS LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
YEARS ENDED DECEMBER 31

	Note	2016	2015
REVENUE			
Jade sales		$ 65,000	$ 30,000
COST OF SALES			
Depletion		(139,772)	(24,947)
Gross profit		(74,772)	5,053
EXPENSES			
Accounting and audit		25,900	19,777
Consulting	8	30,000	30,000
Depreciation		1,205	1,508
Filing and transfer agent fees		8,491	24,982
Interest	8	8,515	12,161
Legal fees		-	15,649
Management fees	8	72,000	70,500
Office and miscellaneous		1,191	1,741
Property expenses		-	130
Rent		10,367	7,418
Shareholder information		7,739	1,884
		(165,408)	(185,750)
Loss before other items		(240,180)	(180,697)
OTHER ITEMS			
Interest and other income		6,717	96
Gain on settlement of debt		11,223	7,668
Penalty and interest recovery (expense)		366	(3,271)
Settlement of flow-through share liability		14,003	-
Impairment of investment in jade production	6	(335,281)	-
Impairment of exploration and evaluation assets	5	-	(439,116)
		(302,972)	(434,623)
Net and comprehensive loss for the year		$ (543,152)	$ (615,320)
Basic and diluted loss per common share	9	$ (0.02)	$ (0.02)
Weighted average number of common shares outstanding		33,581,000	25,710,000

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

PACIFIC BAY MINERALS LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Number of shares	Share capital	Share-based payments reserve	Deficit	Total equity
Balance, December 31, 2014		21,311,824	$ 12,280,326	$ 2,943,481	$ (14,880,233)	$ 343,574
Net and comprehensive loss for the year		-	-	-	(615,320)	(615,320)
Transactions with owners						
Acquisition of mineral properties	9	1,300,000	39,000	-	-	39,000
Private placement	9	10,000,000	500,000	-	-	500,000
Share issuance costs	9	-	(5,744)	-	-	(5,744)
Balance, December 31, 2015		32,611,824	12,813,582	2,943,481	(15,495,553)	261,510
Net and comprehensive loss for the year		-	-	-	(543,152)	(543,152)
Transactions with owners						
Acquisition of mineral properties	9	1,700,000	102,000	-	-	102,000
Balance, December 31, 2016		34,311,824	$ 12,915,582	$ 2,943,481	$ (16,038,705)	$ (179,642)

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

PACIFIC BAY MINERALS LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31

	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the year		$ (543,152)	$ (615,320)
Items not affecting cash:			
Accrued interest on loans payable to a related party		8,163	7,818
Depletion of investment in jade production		139,772	24,947
Depreciation		1,205	1,508
Gain on settlement of debt		(11,223)	(7,668)
Settlement of flow-through share liability		(14,003)	-
Impairment of investment in jade production		335,281	-
Impairment of exploration and evaluation assets		-	439,116
Changes in non-cash working capital items:			
Receivables		2,243	6,897
Prepaid expenses and deposit		4,903	-
Trade and other payables		(5,648)	6,007
Amounts due to related parties		66,140	41,876
Net cash used in operating activities		(16,319)	(94,819)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment in jade production		-	(500,000)
Accounts payable related to exploration activities		(4,183)	(8,094)
BC mining exploration tax credit refund		19,790	-
Deferred exploration expenditures		(870)	-
Net cash provided by (used in) investing activities		14,737	(508,094)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital, net of costs		-	494,256
Proceeds from related party loan		-	110,640
Net cash provided by financing activities		-	604,896
Change in cash during the year		(1,582)	1,983
Cash, beginning of the year		2,523	540
Cash, end of the year		$ 941	$ 2,523

Supplemental cash flow information (Note 11)

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

1. NATURE OF BUSINESS

Pacific Bay Minerals Ltd. (the "Company") was incorporated under the laws of British Columbia, Canada and maintains its head and registered office at Suite 733, 510 West Hastings Street, Vancouver, British Columbia, Canada, V6B 1L8. The Company is primarily engaged in the acquisition, exploration, and development of mineral properties in Canada. The Company is listed on the TSX Venture Exchange (TSX-V) under the symbol "PBM" as a Tier 2 mining issuer.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB").

Basis of measurement

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

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Bahia Atlantica S.A., an Argentina corporation. At December 31, 2016, the Company's former wholly-owned subsidiary, PBM Explorations (Namibia) (Pty) Ltd., a Namibia corporation, was defunct. All intercompany transactions and balances have been eliminated.

Going concern of operations

These consolidated financial statements are prepared on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. 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. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

The Company is an exploration stage company. The Company has incurred losses since inception and had an accumulated deficit of $16,038,705 as at December 31, 2016. The Company does not generate sufficient cash flow from operations to adequately fund its future activities and has relied principally upon the issuance of securities to fund its exploration and administrative expenditures. These conditions raise significant doubt regarding the Company's ability to continue as a going concern.

The Company will require additional capital to fund its future property acquisitions and exploration programs as well as for administrative purposes. There is material uncertainty about whether the Company will be able to obtain additional capital. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these consolidated financial statements.

These consolidated financial statements do not include adjustments that would be required if going concern is not an appropriate basis for preparation of the financial statements. These adjustments could be material.

2. BASIS OF PREPARATION (cont'd…)

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is functional currency of the Company. Each subsidiary of the Company determines its own functional currency, and the financial statement items of each subsidiary are measured using that functional currency.

Significant estimates and assumptions

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised. Significant areas requiring the use of management estimates include:

i) The determination of the fair value of stock options using stock option pricing models, require the input of highly subjective assumptions, including the expected share price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate.

ii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts.

Significant judgements

The preparation of these consolidated financial statements requires management to make judgements, apart from those involving estimates, in applying accounting policies. The most significant judgements in applying the Company's consolidated financial statements include:

i) The application of the Company's accounting policy for investment in jade production requires judgment in determining whether it is likely that the future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is unlikely, the amount capitalized is written off in the profit and loss in the year the new information becomes available.

ii) Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of these properties. The assessment of indications of impairment loss and the reversal of an impairment loss and the measuring of the recoverable amount when impairment tests have been prepared involve judgement. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.

iii) The assessment of the Company's ability to continue as a going concern involves judgement regarding future funding available for its exploration projects and working capital requirements and whether there are events or conditions that may give rise to significant uncertainty.

iv) The determination of whether it is likely that future taxable profits will be available to utilize against any deferred tax assets.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all years presented in these consolidated financial statements, unless otherwise indicated.

Cash and cash equivalents

Cash and cash equivalent includes cash on hand, demand deposits with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are ready convertible to known amounts of cash and subject to insignificant risk of change in value.

Property and equipment

i) Recognition and Measurement

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Property and equipment is subsequently measured at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

ii) Subsequent Costs

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing the property and equipment are recognized in profit or loss as incurred.

iii) Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliability. All other repairs and maintenance are charged to profit or loss during the financial year in which they incurred.

iv) Gains and losses

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

v) Depreciation

Depreciation is provided on a declining-balance basis over the estimated useful life of the assets as follows: Equipment 20%.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and evaluation assets

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as material used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the year in which they occur.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted for as gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income. The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs and value in use.

Once the technical feasibility and commercial viability of extracting the mineral resources has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues in connection with exploration activities are applied as reduction to capitalized exploration costs.

Investment in jade production

The Company's investment in jade production represents the capitalized expenditures related to the acquisition of its right to participate in jade production for a specified time period, net of accumulated depletion and accumulated impairment charges, if any.

The capitalized cost of the Company's investment in jade production is depleted on a unit-of-production basis, as each jade item is sold, over the total weight of the jade that the Company is entitled to pursuant to its participation right.

Impairment of non-financial assets

Management assesses the exploration and evaluation assets, property and equipment and investment in jade production for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For exploration and evaluation assets, the assessment is based on the development program, the nature of the mineral deposit, commodity prices and the Company's intentions and ability for development of the undeveloped property. If, after management review, it is determined that the carrying amount of an asset is impaired, that asset is written down to its estimated recoverable amount. The recoverable amount of an asset is determined as the higher of its fair value less costs to sell and its value in use. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Provision for decommissioning and restoration

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of mineral properties in the year in which it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Initially, a provision for a decommissioning liability is recognized based on expected cash flows required to settle the obligation and discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. Following the initial recognition of the decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows. As at December 31, 2016 and 2015, the Company had no known restoration, rehabilitation or environmental liabilities related to its mineral properties.

Foreign currency translation

The consolidated financial statements for the Company and its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which an entity operates. The presentation currency of the Company is Canadian dollars. Assets and liabilities for the statement of financial position of its subsidiary are translated into Canadian dollars using the exchange rate at the end of the reporting period and the statement of comprehensive income is translated into Canadian dollars using the average exchange rate for the period. All gains and losses on translation of a subsidiary from the functional currency to the presentation currency are charged to other comprehensive income.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to profit or loss.

Share capital

The Company uses the residual value method with respect to the measurement of common shares and share purchase warrants issued as units. The proceeds from the issue of units is allocated between common shares and share purchase warrants on residual value basis, wherein the fair value of the common shares is based on the market value on the date of the announcement of the placement and the balance, if any, is allocated to the attached warrants. Share issue costs are netted against share proceeds.

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 expenses 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 recognized as other income and the related deferred tax is recognized as a tax provision.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired: fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities.

i) Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables

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

Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in noncurrent assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company's available-for-sale assets are marketable securities.

Available-for-sale investments are recognized at fair value and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive loss. Available-for-sale investments are classified as current except if they are expected to be realized beyond twelve months of the statement of financial position date, where they are classified as non-current.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial Instruments (cont'd…)

ii) Financial liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise accounts payable and accrued liabilities. These liabilities are initially recognized on the trade date at fair value when the Company becomes a party to the contractual provisions of the instrument and are subsequently carried at amortized cost using the effective interest rate method. The liabilities are derecognized when the Company's contractual obligations are discharged or cancelled or, they expire.

iii) Impairment of financial assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings (loss) per share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Share-based payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payments reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payments reserve is credit to share capital, adjusted for any consideration paid.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Revenue recognition

Revenue from the Company's participation in jade production is recognized when persuasive evidence of an arrangement exists, title and risk passes to the buyer, collection is reasonably assured and the price is reasonably determinable. Generally, the Company recognizes its portion of the revenue from the sale of jade when the cash is received, net of the Company's portion of any shipping and handling costs.

Income Tax

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

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustments to income tax payable in respect of previous years. Current income taxes are determined using tax rates and laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amounts of an asset or liability differs from its tax base, except for the taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss. Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company re-assesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Comparative information

Certain comparative information in these interim consolidated financial statements has been reclassified to conform to the presentation of the current period financial statements.

New accounting policies

There were no new standards effective January 1, 2016 that had an impact on the Company's consolidated financial statements.

A number of new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on or after January 1, 2017, or later periods. The Company has not applied these new standards in preparing these financial statements. The following pronouncement is considered by the Company to be the most significant of several pronouncements that may affect the financial statements in future periods.

- New standard IFRS 9 *Financial Instruments* ("IFRS 9") has been issued by IASB to replace IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 will replace the multiple classification and measurement models in IAS 39 with a single model that has only two measurement categories: amortized cost and fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements.

- IFRS 15 *Revenue from Contracts with Customers* requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. The standard is to be adopted for annual periods beginning on or after January 1, 2018, either retrospectively or using a modified retrospective approach. The Company is currently reviewing our contractual agreements to evaluate the impact of this standard on our consolidated financial statements.

- IFRS 16 *Leases* requires the recognition of assets and liabilities for most leases. The standard applies to annual reports beginning on or after January 1, 2019. The Company is currently reviewing the impact of IFRS 16 on our consolidated financial statements.

4. EQUIPMENT

		Field equipment
Cost		
Balance as at December 31, 2015	$	42,413
Additions		-
Balance as at December 31, 2016		42,413
Accumulated depreciation		
Balance as at December 31, 2015		36,388
Depreciation for the year		1,205
Balance as at December 31, 2016		37,593
Net book value as at December 31, 2016	$	4,820

		Field equipment
Cost		
Balance as at December 31, 2014	$	42,413
Additions		-
Balance as at December 31, 2015		42,413
Accumulated depreciation		
Balance as at December 31, 2014		34,880
Depreciation for the year		1,508
Balance as at December 31, 2015		36,388
Net book value as at December 31, 2015	$	6,025

5. EXPLORATION AND EVALUATION ASSETS

	Haskins Reed	Other BC Properties	Otish Mountain	Total
Balance, December 31, 2015	$ 439,116	$ 112,178	$ 11,141	$ 562,435
Acquisition costs				
Option payments	-	102,000	-	102,000
Deferred exploration expenditures				
Miscellaneous	870	-	-	870
BC mining exploration tax credit refund	(14,561)	(5,229)	-	(19,790)
Balance, December 31, 2016	$ 425,425	$ 208,949	$ 11,141	$ 645,515

	Haskins Reed	Other BC Properties	Otish Mountain	Total
Balance, December 31, 2014	$ 878,232	$ 73,178	$ 11,141	$ 962,551
Acquisition costs				
Option payments	-	39,000	-	39,000
Impairment write down	(439,116)	-	-	(439,116)
Balance, December 31, 2015	$ 439,116	$ 112,178	$ 11,141	$ 562,435

Haskins-Reed Property, British Columbia

The Company holds a 100% interest in certain mineral claims located in the Cassiar Mining Division of British Columbia, subject to a 2% net smelter returns royalty (“NSR”). During the year ended December 31, 2015, the Company recognized an impairment charge of $439,116, representing 50% of the remaining carrying costs of the property.

Other British Columbia properties

The Company has entered into the following property agreements related to its other BC properties as follows:

Lode Gold Property, British Columbia

On February 25, 2014, the Company entered into an option agreement to acquire a 100% interest in certain mineral claims located in the New Westminster Mining Division of British Columbia. To earn its interest, the Company is required to issue 1,500,000 common shares (550,000 shares issued with a fair value of $19,000) over a three year period. The remaining option payments are due as follows:

- issue 450,000 common shares on April 2, 2016 (issued with a fair value of $24,750); and
- issue 500,000 common shares on April 2, 2017 (extended to June 30, 2017).

The property is subject to a 3% NSR and the Company has the option to purchase up to 2% NSR at a price of $1,500,000 for each 1% NSR. The Company was also granted a right of first refusal to purchase the remaining 1% NRS.

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

Other British Columbia properties (cont'd…)

Boulder Property, British Columbia

On February 25, 2014, the Company entered into an option agreement to acquire a 100% interest in certain mineral claims located in the Stikine Mining Division of British Columbia. To earn its interest, the Company is required to issue 5,000,000 common shares (1,750,000 shares issued with a fair value of $60,000) over a three year period. The remaining option payments are due as follows:

- issue 1,250,000 common shares on April 2, 2016 (issued with a fair value of $68,750); and
- issue 2,000,000 common shares on April 2, 2017 (extended to June 30, 2017).

The property is subject to a 3% net smelter returns royalty ("NSR") and the Company has the option to purchase up to 2% NSR at a price of $1,500,000 for each 1% NSR. The Company was also granted a right of first refusal to purchase the remaining 1% NRS.

Otish Mountains Property, Québec

The Otish Mountains property is held 40% by the Company and 70% by Strateco Resources Inc. ("Strateco"). During the year ended December 31, 2014, the Company prepared and filed a submission to the Bureau d'audiences publiques sur l'environment ("BAPE") in Quebec, a governmental public consultation body that is conducting a province-wide consultation process regarding uranium mining, recommended to the Government that uranium exploration and mining in the Province not be supported. As potential exists for the moratorium to be lifted, also for possible recoveries from the Province of Quebec through legal action, the Company retains a modest assets balance on the Otish Property in its consolidated financial statements.

6. INVESTMENT IN JADE PRODUCTION

On July 14, 2015, the Company entered into a joint venture agreement with Dease Lake Jade Mine Ltd. ("DLJ") whereby, in consideration for payment of $500,000, the Company would participate on a 50/50 basis in the sale proceeds of the jade mining operations in 2015 on certain claims located in Northern British Columbia. A director of the Company is a shareholder and officer of DLJ. The agreement includes a 4-year option whereby the Company can automatically renew the terms for another year by providing the same amount of financing by March 1 of each year, commencing March 1, 2016. The Company did not renew the agreement for the 2016 exploration season and assessed an impairment loss of $335,281 on the remaining costs of the investment during the year ended December 31, 2016.

During the year ended December 31, 2016, the Company received sale proceeds of $65,000 (2015 - $30,000) from the jade production and recognized depletion of $139,772 (2015 - $24,947).

7. TRADE AND OTHER PAYABLES

		2016		2015
Trade payables	$	180,472	$	198,755
Accrued liabilities		12,500		15,271
	$	192,972	$	214,026

Trade payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration and general operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

8. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2012, the Company received a loan of $200,000 from a director of the Company. The loan is unsecured and bears interest at 7% per annum. As at December 31, 2016, the outstanding balance of the loan was $85,000 (2015 - $85,000) and the accrued interest owing was $39,773 (2015 - $31,610). The repayment date of the loan has been extended to December 31, 2017.

Loans payable to a related party also includes $159,855 (2015 - $159,855) of advances from the same director who advanced the loan to the Company. These advances are unsecured, non-interest bearing, and have no specific terms of repayment.

At December 31, 2016, the Company is indebted to the President of the Company, the Chief Financial Officer ("CFO") of the Company, and a director of the Company for $251,724 (2015 - $215,147), $40,919 (2015 - $nil), and $112,712 (2015 - $93,885), respectively, for accrued management fees and expenses paid on behalf of the Company. The amounts are unsecured, non-interest bearing, and have no specific terms of repayment.

Key management personnel include directors (executive and non-executive) and officers of the Company. The compensation paid or payable to key management personnel during the years ended December 31 is as follows:

		2016		2015
Short-term employee benefits	$	102,000	$	100,500
Share-based payments		-		-
Total	$	102,000	$	100,500

The Company entered into the following related party transactions during the year ended December 31, 2016:

a) Paid or accrued management fees of $72,000 (2015 - $70,500) to the President of the Company and a director of the Company for management services provided.

b) Paid or accrued consulting fees of $30,000 (2015 - $30,000) to the CFO of the Company for corporate consulting services provided.

9. SHARE CAPITAL

Authorized share capital

The Company has authorized an unlimited number of common shares with no par value.

Issued share capital

At December 31, 2016, the Company had 34,311,824 common shares outstanding (2015 - 32,611,824).

Share issuance

During the year ended December 31, 2016:

a) On June 6, 2016, the Company issued 450,000 common shares with a fair value of $27,000 pursuant to the Lode Gold property option agreement.

b) On June 6, 2016, the Company issued 1,250,000 common shares with a fair value of $75,000 pursuant to the Boulder property option agreement.

During the year ended December 31, 2015:

a) On May 26, 2015, the Company issued 300,000 common shares with a fair value of $9,000 pursuant to the Lode Gold property option agreement.

b) On May 26, 2015, the Company issued 1,000,000 common shares with a fair value of $30,000 pursuant to the Boulder property option agreement.

c) On August 21, 2015, the Company issued 10,000,000 common shares pursuant to a private placement at $0.05 per share for gross proceeds of $500,000. The Company paid share issue costs of $5,744 in connection with the private placement

Basic and diluted loss per share

The calculation of basic and diluted earnings per share for the year ended December 31, 2016 was based on the loss attributable to common shareholders of $543,152 (2015 - $615,320) and a weighted average number of common shares outstanding of 33,581,000 (2015 - 25,710,000).

10. SHARE-BASED PAYMENTS

Stock options

The Company has a Stock Option Plan ("the Plan") for directors, officers and employees. The maximum number of common shares to be issued under the Plan is restricted such that it cannot at any given time be more than 10% of the Company's issued and outstanding shares. The number of shares reserved for issuance at any one time to any one person shall not exceed 5% of the outstanding shares issued. Options granted must be exercised no later than two years after the date of the grant or such lesser periods as regulations require.

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2014	1,000,000	$	0.10
Expired/cancelled	(100,000)		0.10
Balance, December 31, 2015	900,000	$	0.10
Expired	(900,000)		0.10
Balance, December 31, 2016	-	$	-
Exercisable at December 31, 2016	-	$	-

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, December 31, 2014	3,614,285	$	0.10
Expired/cancelled	(3,614,285)		0.10
Balance, December 31, 2015 and 2016	-	$	-

11. SUPPLEMENTAL CASH FLOW INFORMATION

Significant non-cash transactions during the year ended December 31, 2016 included:

a) The Company issued 1,700,000 common shares pursuant to mineral property agreements with a total value of $102,000.

b) Included in trade and other payables are $49,959 related to exploration and evaluation assets.

Significant non-cash transactions during the year ended December 31, 2015 included:

a) The Company issued 1,300,000 common shares pursuant to mineral property agreements with a total value of $39,000.

b) Included in trade and other payables are $54,142 related to exploration and evaluation assets.

12. CAPITAL MANAGEMENT

The Company’s objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes components of shareholders’ equity in the definition of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

There were no changes in the Company's approach to capital management during the year ended December 31, 2016. The Company is not subject to externally imposed capital requirements.

13. INCOME TAXES

Effective tax rates:

The effective income tax rates differ from Canadian statutory rates for the following reasons in the years ended December 31:

	2016	2015
Loss before income taxes	$ (543,152)	$ (615,320)
Statutory tax rate	26%	26%
Expected income tax recovery at statutory rates	$ (141,200)	$ (160,000)
Non-deductible items	(2,900)	(1,100)
Loss carry forward expired	73,700	-
Unrecognized temporary differences	124,200	119,800
Other	(53,800)	41,300
Deferred income tax expense	$ -	$ -

Deferred income tax assets and liabilities

As at December 31, 2016, the Company has non-capital losses of approximately $6,360,000 (2015 - $3,378,000) for Canadian income tax purposes that may be carried forward to reduce taxable income derived in future years. These losses, if not utilized, will expire between 2026 and 2036. Subject to certain restrictions, the Company also has resource expenditures of approximately $3,541,000 (2015 - $3,527,000) available to reduce taxable income in future years. Deferred income tax assets which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements as the Company determined that, as at December 31, 2016, their realization is uncertain.

The nature and tax effect of the temporary differences giving rise to the unrecognized deferred tax assets are as follows:

	2016	2015
Non-capital loss carry forwards	$ 1,654,000	$ 878,000
Exploration and evaluation assets	753,000	771,000
Equipment	19,000	26,000
Cumulative eligible capital deduction	13,000	11,000
Share issuance costs	1,000	1,000
Unrecognized deferred income tax assets	$ 2,440,000	$ 1,687,000

14. FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows: cash as loans and receivables and measured at amortized cost; trade and other payables, amounts due to related parties and loans payable to a related party as other financial liabilities and measured at amortized cost. Information on certain types of financial instruments is included elsewhere in these consolidated financial statements as follows: trade and other payables (Note 7); amounts due to related parties and loans payable to a related party (Note 8).

The carrying amount of cash, trade and other payables, amounts due to related parties and loans payable to a related party carried at amortized cost is a reasonable approximation of fair value due to the relatively short period to maturity of these financial instruments and/or the rate of interest being charged.

Financial risk management

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management monitors and manages these exposures to ensure appropriate measures are implemented on a timely basis and in an effective manner.

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash. The credit risk with respect to its cash and cash equivalents and marketable securities is minimal as they are held with high-credit quality financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. The Company performs cash flow forecasting for each fiscal year to ensure sufficient cash is available to fund its projects and operations. As at December 31, 2016, the Company had a cash balance of $941 and current liabilities of $843,182. The Company's financial liabilities include accrued expenses and trade and other payables which have contractual maturities of 30 days or are due on demand.

At present, the Company's operations do not generate positive cash flows. The Company's primary source of funding has been the issuance of equity securities through private placements and the optioning of its exploration and evaluation assets. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings.

Interest rate risk

The Company is exposed to interest rate risk arising from the cash maintained at Canadian financial institutions. The interest rate risk on cash is not considered significant due to their short-term nature and maturity.

15. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

As at December 31, 2016, the Company has no financial assets or financial liabilities measured at fair value. There have been no changes in these levels and no changes in classifications during the year ended December 31, 2016.

16. EVENT AFTER THE REPORTING PERIOD

On October 18, 2016, the Company entered into a letter agreement with Blue Sky Uranium Corp. to sell a 100% interest in the Regalo property located in the Province of Chubut, Argentina for $25,000. The Regalo property was held by Bahia Atlantica S.A., a wholly-owned subsidiary of the Company. Subsequent to December 31, 2016, the Company closed the transaction and received the sale proceeds of $25,000.