

Anglo-Bomarc Mines Ltd.

Consolidated Financial Statements

Years Ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Anglo-Bomarc Mines Ltd.

We have audited the accompanying consolidated financial statements of Anglo-Bomarc Mines Ltd., which comprise the consolidated statements of financial position as at March 31, 2017 and 2016 and the consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 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 involves evaluating the appropriateness of the 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 Anglo-Bomarc Mines Ltd. as at March 31, 2017 and 2016 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 of the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Anglo-Bomarc Mines Ltd. to continue as a going concern.



Chartered Professional Accountants

Vancouver, Canada

August 9, 2017

Anglo-Bomarc Mines Ltd.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	March 31, 2017 \$	March 31, 2016 \$
ASSETS		
Current assets		
Cash	293,967	137,587
Amounts receivable (Note 4)	406,858	47,310
Prepaid expenses and deposits	101,575	100,000
Inventory (Note 5)	—	434,411
Due from related party (Note 8)	725	2,954
Total current assets	803,125	722,262
Non-current assets		
Property and equipment (Note 6)	818,864	903,158
Exploration and evaluation assets (Notes 7 and 8)	261,266	335,278
Total non-current assets	1,080,130	1,238,436
Total assets	1,883,255	1,960,698
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	389,620	392,749
Total liabilities	389,620	392,749
Shareholders' equity		
Share capital	12,406,236	11,032,796
Share subscriptions received (Note 9)	—	140,000
Share-based payment reserve (Note 11)	1,003,066	672,083
Deficit	(11,915,667)	(10,276,930)
Total shareholders' equity	1,493,635	1,567,949
Total liabilities and shareholders' equity	1,883,255	1,960,698

Nature of business and continuance of operations (Note 1)

Subsequent events (Note 16)

Approved and authorized for issuance on behalf of the Board of Directors on August 9, 2017:

/s/ "Eva Miao"

Eva Miao, Director

/s/ "William Li"

William Li, Director

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

Anglo-Bomarc Mines Ltd.

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

	Year Ended March 31, 2017 \$	Year Ended March 31, 2016 \$
Revenues		
Gold	150,000	26,195
Jade	200,000	154,780
Total revenues	350,000	180,975
Cost of sales		
Gold	143,571	18,508
Jade	290,840	138,300
Total cost of sales	434,411	156,808
Gross margin	(84,411)	24,167
Expenses		
Consulting and management fees (Note 8)	23,170	7,500
Depreciation (Note 6)	101,491	67,480
Foreign exchange loss (gain)	(98)	1,806
Impairment of exploration and evaluation assets (Note 7)	175,637	175,682
Impairment of inventory (Note 5)	—	17,810
Investor relations (Note 8)	15,750	15,000
Office and general administration (Note 8)	14,884	59,014
Professional fees (Note 8)	25,750	18,000
Rent (Note 8)	11,571	44,577
Repairs and maintenance	—	13,798
Salaries and benefits	—	9,078
Share-based compensation (Note 11)	1,154,423	780,256
Transfer agent and regulatory fees	12,710	33,837
Travel and business development (Note 8)	19,038	13,211
Total expenses	1,554,326	1,257,049
Loss before other income (expense)	(1,638,737)	(1,232,882)
Other income (expense)		
Interest income	—	134
Loss on disposal of subsidiary (Note 3)	—	(513,541)
Total other income (expense)	—	(513,407)
Net loss and comprehensive loss	(1,638,737)	(1,746,289)
Basic and diluted net loss per share	(0.03)	(0.05)
Weighted average shares outstanding	47,426,450	38,778,199

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

Anglo-Bomarc Mines Ltd.

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Share capital		Share subscriptions received	Share- based payment reserve	Deficit	Total shareholders' equity
	Number of shares	Amount \$	\$	\$	\$	\$
Balance, March 31, 2015	28,346,505	8,123,923	1,433,999	130,700	(8,530,641)	1,157,981
Shares issued for cash	15,000,000	2,250,000	(1,433,999)	—	—	816,001
Shares issued for exercise of share purchase warrants	750,000	150,000	—	—	—	150,000
Shares issued for the exercise of stock options	1,350,000	508,873	—	(238,873)	—	270,000
Share subscriptions received	—	—	140,000	—	—	140,000
Fair value of stock options granted	—	—	—	780,256	—	780,256
Net loss for the year	—	—	—	—	(1,746,289)	(1,746,289)
Balance, March 31, 2016	45,446,505	11,032,796	140,000	672,083	(10,276,930)	1,567,949
Shares issued for exercise of stock options	4,800,000	1,373,440	(140,000)	(823,440)	—	410,000
Fair value of stock options granted	—	—	—	1,154,423	—	1,154,423
Net loss for the year	—	—	—	—	(1,638,737)	(1,638,737)
Balance, March 31, 2017	50,246,505	12,406,236	—	1,003,066	(11,915,667)	1,493,635

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

Anglo-Bomarc Mines Ltd.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year ended March 31, 2017 \$	Year ended March 31, 2016 \$
Operating Activities		
Net loss	(1,638,737)	(1,746,289)
Adjustments for items not involving cash:		
Depreciation	101,491	67,480
Foreign exchange gain (loss)	—	1,806
Impairment of exploration and evaluation assets	175,637	175,682
Impairment of inventory	—	17,810
Loss on disposal of subsidiary	—	513,541
Stock-based compensation	1,154,423	780,256
Changes in non-cash working capital items:		
Amounts receivable	(359,548)	(44,793)
Prepaid expenses and deposits	(1,575)	607,511
Inventory	434,411	(452,221)
Due from related party	2,229	(2,954)
Accounts payable and accrued liabilities	(3,129)	21,917
Net cash used in operating activities	(134,798)	(60,254)
Investing Activities		
Acquisition of property and equipment	(17,197)	(970,638)
Cash removed on disposal of subsidiary	—	(1,938)
Exploration and evaluation asset expenditures	(101,625)	(510,960)
Net cash used in investing activities	(118,822)	(1,483,536)
Financing Activities		
Proceeds from the issuance of shares	410,000	1,236,001
Proceeds from share subscriptions received	—	140,000
Net cash provided by financing activities	410,000	1,376,001
Change in cash	156,380	(167,789)
Cash, beginning of year	137,587	305,376
Cash, end of year	293,967	137,587
Supplemental disclosures:		
Interest paid	—	—
Income taxes paid	—	—

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

Anglo-Bomarc Mines Ltd.

Notes to the Consolidated Financial Statements

Years ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)

1. Nature of Operations and Continuance of Business

Anglo-Bomarc Mines Ltd. (the "Company") was incorporated under the laws of the province of British Columbia in 1968 and is listed on the TSX Venture Exchange under the stock symbol "ANB." The Company's principal place of business is Suite 1500, 701 West Georgia Street, Vancouver, BC, V7Y 1G5.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these assets contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production.

These consolidated financial statements have been prepared on the going concern basis, which assumed the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at March 31, 2017, the Company has generated minimal revenues, and has an accumulated deficit of \$11,915,667. The ability of the Company to operate as a going concern is uncertain and is dependent on profitable operations, continued financial support from its directors and shareholders, and the ability to obtain adequate external financing to meet ongoing operating requirements. Although the Company has been successful in securing additional financing to date, there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These factors indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

(a) Statement of Compliance and Basis of Presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the International Reporting Interpretations Committee on a going concern basis.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary ANB Yukon Gold Inc. Inter-company balances and transactions have been eliminated on consolidation.

These consolidated financial statements have been prepared on a historical cost basis, except for financial instruments which have been measured at fair value. These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(b) Use of Estimates and Judgements

The preparation of these consolidated financial statements requires management to make certain estimates, judgments, 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 outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated 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 future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Anglo-Bomarc Mines Ltd.

Notes to the Consolidated Financial Statements

Years ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(b) Use of Estimates and Judgements (continued)

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the reporting date that could result in material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) valuation of inventory;
- ii) the useful lives and recoverability of property and equipment;
- iii) the recoverability of exploration and evaluation assets;
- iv) rehabilitation provisions;
- v) measurement of share-based compensation; and
- vi) unrecognized deferred income tax assets.

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the consolidated statement of operations in the period when the new information becomes available.

The Company's assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(d) Inventory

Inventory consists of gold concentrate, and jade jewelry and sculptures which are valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated selling costs. Due to the nature of the jade jewelry and sculptures with each piece being unique, cost of sales is determined by using the specific identification method. Cost of sales for fine gold and gold concentrate is determined using the first-in, first-out method.

(e) Property and Equipment

Property and equipment is recorded at cost. The Company depreciates the cost of property and equipment over their estimated useful lives at the following annual rates using the straight-line method:

Mining equipment	10%
Office equipment	20%
Vehicles	30%

Residual values and useful economic lives are reviewed at least annually, and adjusted if appropriate, at each reporting date. Subsequent expenditure relating to an item of property and equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance expenses during the period in which they are incurred.

Anglo-Bomarc Mines Ltd.

Notes to the Consolidated Financial Statements

Years ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(e) Accounts Receivable

Accounts receivable is comprised of amounts due from the sale of gold concentrate and jade products and is recorded net of allowance for doubtful accounts. Factors such as current economic conditions, historical information, and reasons for any accounts being past due are all considered when determining whether to write-off accounts receivable.

(f) Exploration and Evaluation Expenditures

The Company capitalizes all costs relating to the acquisition of, exploration for, and development of mineral claims and credits all proceeds received against the cost of the related claims. Such costs include, but are not limited to, geological, geophysical studies, exploratory drilling and sampling. Costs not directly attributable to exploration and evaluation activities, including general and administrative overhead costs, are expensed in the period in which they occur. At such time as commercial production commences, these capitalized costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to an exploration and evaluation asset is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the properties result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in the consolidated statement of operations, costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount. Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. 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 which give rise to a future benefit.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditures are not expected to be recovered, the excess is charged to the consolidated statement of operations.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded until they are paid or received. Option payments are capitalized as costs or recoveries in exploration and evaluation assets when the payments are made or received.

(g) Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and compared to the carrying amount in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The Company has used geographical proximity, geological similarities, analysis of shared infrastructure, commodity type, assessment of exposure to market risks, and materiality to define its CGUs.

Anglo-Bomarc Mines Ltd.

Notes to the Consolidated Financial Statements

Years ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(g) Impairment of Non-Financial Assets (continued)

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of operations for the period.

Impairments are reversed in subsequent periods when there has been an increase in the recoverable amount of a previously impaired asset or CGU and these reversals are recognized in the consolidated statement of operations. The recovery is limited to the original carrying amount less depreciation, if any, that would have been recorded had the asset not been impaired.

(h) Rehabilitation Provisions

The Company recognizes a provision for statutory, contractual, constructive, or legal obligations associated with decommissioning of mining operations and reclamation and rehabilitation costs arising when environmental disturbance is caused by the exploration or development of exploration and evaluation assets. Provisions for site closure and reclamation are recognized in the period in which the obligation is incurred or acquired, and are measured based on expected future cash flows to settle the obligation, discounted to their present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability including risks specific to the countries in which the related operation is located.

When an obligation is initially recognized, the corresponding cost is capitalized to the carrying amount of the related asset in exploration and evaluation assets. These costs are depreciated using either the unit of production or straight-line method depending on the asset to which the obligation relates.

The obligation is increased for the accretion and the corresponding amount is recognized as a finance expense. The obligation is also adjusted for changes in the estimated timing, amount of expected future cash flows, and changes in the discount rate. Such changes in estimates are added to or deducted from the related asset except where deductions are greater than the carrying value of the related asset in which case, the amount of the excess is recognized in the consolidated statement of operations.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total provision for future site closure and reclamation costs is subject to change based on amendments to laws and regulations, changes in technology, price increases, changes in interest rates, and as new information concerning the Company's closure and reclamation obligations becomes available.

The Company is not aware of any existing restoration, rehabilitation, and environmental obligations related to any of its current or former properties that may result in material liability to the Company.

(i) Financial Instruments

(i) Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risk and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Anglo-Bomarc Mines Ltd.

Notes to the Consolidated Financial Statements

Years ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the consolidated statement of operations. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Cash is classified as fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as held-to-maturity investments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to the consolidated statement of operations. The Company does not have any assets classified as available-for-sale.

Loans and receivables

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

Impairment of financial assets

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to the consolidated statement of operations in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

Anglo-Bomarc Mines Ltd.

Notes to the Consolidated Financial Statements

Years ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(i) Financial Instruments (continued)

(i) Non-derivative financial assets (continued)

Impairment of financial assets (continued)

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the consolidated statement of operations.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the consolidated statement of operations to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of available-for-sale equity securities, impairment losses previously recognized through the consolidated statement of operations are not reversed through the consolidated statement of operations. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

(ii) Non-derivative financial liabilities

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Share capital

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

Anglo-Bomarc Mines Ltd.

Notes to the Consolidated Financial Statements

Years ended March 31, 2017 and 2016

(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(j) Revenue and Cost Recognition

The Company recognizes and accounts for revenue on the sale of goods in accordance with IAS 18, *Revenue*. Revenue consists of sale of gold and mineral concentrate, jade jewelry, and jade sculptures which is recognized only when: (i) significant risk and rewards of ownership have been passed to the buyer; (ii) the Company no longer has effective control over the products sold; (iii) amount of revenue is known; (iv) economic benefits of the transaction are reasonably assured; and (v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Cost of sales include materials, freight, and refining costs. Selling, general, and administrative costs are charged to expense as incurred.

(k) Foreign Currency Translation

The Company and its subsidiary's functional currency, being the currency of the primary economic environment in which the Company and its subsidiary operates, is the Canadian dollar. Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the consolidated statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in the consolidated statements of operations.

(l) Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in the consolidated statement of operations. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the statement of financial position method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(m) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as stock-based compensation 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.

Anglo-Bomarc Mines Ltd.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(m) Share-based Payments (continued)

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 payment reserve, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

(n) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive. As at March 31, 2017, the Company had 19,274,654 (2016 – 17,309,650) potentially dilutive shares outstanding.

(o) Comprehensive Loss

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders. For the years ended March 31, 2017 and 2016, the Company does not have any items that impact comprehensive income (loss).

(p) Accounting Standards Issued But Not Yet Effective

The following new standards, and amendments to standards and interpretations, have been issued but are not effective for the year ended March 31, 2017, and have not been applied in preparing these consolidated financial statements:

- (i) IFRS 9, *Financial Instruments* (New)
- (ii) IFRS 15, *Revenue from Contracts with Customers* (New)
- (iii) IFRS 2, *Share-based Payments* (Amended)

The Company has not early adopted these new and revised standards and is currently assessing the impact that these standards will have on the Company's consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

3. Disposal of Subsidiary

On April 23, 2015, the Company sold its wholly-owned subsidiary, Anglo-Bomarc U.S., Inc. for proceeds of \$30,000 to First Idaho, a company with common directors.

The following table sets forth the calculation of the loss on disposal of the subsidiary as follows:

	\$
Net assets disposed:	
Cash	1,938
Refundable deposit	35,224
Exploration and evaluation asset	506,379
Net assets disposed	543,541
Proceeds on disposal	30,000
Loss on disposal of subsidiary	(513,541)

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4. Amounts Receivable

	2017 \$	2016 \$
Trade receivables	360,000	—
GST receivable	46,858	47,310
	<u>406,858</u>	<u>47,310</u>

5. Inventory

	2017 \$	2016 \$
Jade products and sculptures	—	290,840
Gold concentrate	—	161,381
Impairment	—	(17,810)
	<u>—</u>	<u>434,411</u>

At March 31, 2017, the Company recorded an impairment charge of \$nil (2016 - \$17,810) of its gold concentrate inventory to reflect the lower of cost and net realizable value.

6. Property and Equipment

	Vehicle \$	Office equipment \$	Mining equipment \$	Total \$
Cost:				
Balance, March 31, 2015	—	—	—	—
Additions	—	44,033	926,605	970,638
Balance, March 31, 2016	—	44,033	926,605	970,638
Additions	17,197	—	—	17,197
Balance, March 31, 2017	<u>17,197</u>	<u>44,033</u>	<u>926,605</u>	<u>987,835</u>
Accumulated depreciation:				
Balance, March 31, 2015	—	—	—	—
Additions	—	4,525	62,955	67,480
Balance, March 31, 2016	—	4,525	62,955	67,480
Additions	23	8,807	92,661	101,491
Balance, March 31, 2017	<u>23</u>	<u>13,332</u>	<u>155,616</u>	<u>168,971</u>
Carrying amounts:				
Balance, March 31, 2016	—	39,508	863,650	903,158
Balance, March 31, 2017	<u>17,174</u>	<u>30,701</u>	<u>770,989</u>	<u>818,864</u>

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7. Exploration and Evaluation Assets

	ANB Gold and Diamond Property \$	Camborne Gold Project \$	Dynasty Gold and Jade Project \$	Boston Bar \$	Total \$
Acquisition costs:					
Balance, March 31, 2016	435	1,214	4,710	—	6,359
Additions	—	—	—	208	208
Impairment	—	(1,214)	—	—	(1,214)
Balance, March 31, 2017	435	—	4,710	208	5,353
Deferred exploration costs:					
Balance, March 31, 2016	139,085	173,147	16,686	—	328,918
Camp supplies	—	776	—	—	776
Exploration	2,491	—	—	—	2,491
Labour	—	—	97,143	—	97,143
Government fees	—	500	508	—	1,008
Impairment	—	(174,423)	—	—	(174,423)
Balance, March 31, 2017	142,011	—	119,047	208	261,266

	ANB Gold and Diamond Property \$	Camborne Gold Project \$	Dynasty Gold and Jade Project \$	Hercules Properties \$	Total \$
Acquisition costs:					
Balance, March 31, 2015	—	—	—	378,309	378,309
Additions	435	1,214	4,710	—	6,359
Disposal	—	—	—	(378,309)	(378,309)
Balance, March 31, 2016	435	1,214	4,710	—	6,359
Deferred exploration costs:					
Balance, March 31, 2015	—	—	—	128,070	128,070
Camp supplies	—	64,020	39,333	—	103,353
Exploration	139,085	17,524	17,582	—	174,191
Labour	—	90,656	108,129	—	198,785
Meals and lodging	—	947	2,747	—	3,694
Transportation	—	—	23,400	—	23,400
Travel	—	—	1,178	—	1,178
Impairment	—	—	(175,682)	—	(175,682)
Disposal	—	—	—	(128,070)	(128,070)
Balance, March 31, 2016	139,520	174,361	21,397	—	335,278

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7. Exploration and Evaluation Assets (continued)

Boston Bar Property

On December 30, 2016, the Company staked claims totalling 41.66 hectares located in the Boston Bar area of southwestern British Columbia.

ANB Yukon Gold and Diamond Property

During the year ended March 31, 2016, the Company staked claims totalling 70 hectares located in Mt. Nansen of the northern territory of the Yukon, Canada.

Camborne Gold Project

During the year ended March 31, 2016, the Company staked a total of 408 hectares located in approximately 11km northwest of Camborne, British Columbia, Canada. During the year ended March 31, 2017, the Company allowed the claims for the Camborne Gold Project to lapse as the Company does not plan on furthering exploration on those claims. As such, the Company has recorded a full impairment of capitalized costs of \$175,637.

Dynasty Gold and Jade Project

During the year ended March 31, 2016, the Company staked a total of 845 hectares located in the Cassiar region of the northern interior of British Columbia, Canada. Subsequent to March 31, 2016, the Company allowed a significant amount of claims lapse and had recorded an impairment charge of \$175,682 as at March 31, 2016.

Hercules Properties

The Company has a 20% net profit interest in the Silver Bell, the New Point, the Point Six, and the Hercules Lode 18 group of claims located in Washington County, Idaho, U.S.A. On April 23, 2015, the Company disposed of the property.

8. Related Party Transactions

- (a) As at March 31, 2017, the Company was owed \$725 (2016 – \$2,954) from the Chief Executive Officer of the Company. The amounts owed are unsecured, non-interest bearing, and due on demand.
- (b) As at March 31, 2017, the Company owed \$2,600 (2016 - \$nil) to a company controlled by the Chief Executive Officer of the Company, which was included in accounts payable and accrued liabilities. The amounts owing are unsecured, non-interest bearing, and due on demand.
- (c) During the year ended March 31, 2017, the Company incurred \$23,170 (2016 - \$7,500) in consulting and management fees, \$13,350 (2016 - \$7,500) in travel and business development expenses, \$nil (2016 - \$12,000) in office expenses, \$nil (2016 - \$10,800) in rent, \$15,750 (2016 - \$nil) in professional fees, and \$15,750 (2016 - \$15,000) in investor relations fees to companies controlled by the Chief Executive Officer and Chief Financial Officer of the Company.
- (d) During the year ended March 31, 2017, the Company incurred \$nil (2016 - \$201,715) of exploration and evaluation costs to a family member or company controlled by the Chief Financial Officer of the Company.

9. Share Capital

Authorized

100,000,000 common shares, without par value

Shares issued during the year ended March 31, 2017

- (a) On July 25, 2016, the Company issued 1,420,000 common shares from the exercise of stock options to officers and directors of the Company for proceeds of \$212,000, of which \$140,000 was received during the year ended March 31, 2016.

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9. Share Capital (continued)Shares issued during the year ended March 31, 2017 (continued)

- (b) On July 29, 2016, the Company issued 380,000 common shares from the exercise of stock options to officers and directors of the Company for proceeds of \$38,000.
- (c) On December 29, 2016, the Company issued 3,000,000 common shares from the exercise of stock options to officers and directors of the Company for proceeds of \$300,000.

Shares issued during the year ended March 31, 2016

- (d) On August 5, 2015, the Company issued 15,000,000 units to officers and directors, and family members of officers and directors, of the Company, at \$0.15 per unit for proceeds of \$2,250,000, of which \$1,433,999 was received as at March 31, 2015. Each unit was comprised of one common share and one share purchase warrant which is exercisable into one common share at \$0.20 per share until August 5, 2017.
- (e) On November 26, 2015, the Company issued 750,000 common shares to a family member of the Chief Executive Officer of the Company for proceeds of \$150,000 for the exercise of share purchase warrants.
- (f) On December 9, 2015, the Company issued 180,000 common shares to the Chief Executive Officer of the Company for proceeds of \$36,000 for the exercise of stock options.
- (g) On December 10, 2015, the Company issued 250,000 common shares to the Chief Financial Officer for proceeds of \$50,000 for the exercise of stock options.
- (h) On December 24, 2015, the Company issued 920,000 common shares to officers and directors of the Company for proceeds of \$184,000 for the exercise of stock options.
- (i) During the year ended March 31, 2016, the Company received share subscriptions of \$140,000 for common shares that have not been issued.

10. Share Purchase Warrants

The following table summarizes the continuity of common share purchase warrants:

	Number of warrants	Weighted average exercise price
Balance, March 31, 2015	—	—
Issued	15,000,000	0.10
Exercised	(750,000)	0.20
Balance, March 31, 2016 and 2017	14,250,000	0.10

As at March 31, 2017, the following common share purchase warrants were outstanding:

Number of warrants outstanding	Exercise price \$	Expiry date
14,250,000	0.10	August 4, 2020

In December 2016, the Company modified the terms of its outstanding share purchase warrants, which were previously issued as part of a unit offering in a private placement, to lower the exercise price from \$0.20 per share to \$0.10 per share and extended the expiry date of the share purchase warrants from August 4, 2017 to August 4, 2020.

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11. Stock Options

The Company has adopted a stock option plan pursuant to which options may be granted to directors, officers, employees, and consultants of the Company to a maximum of 10% of the issued and outstanding common shares. The exercise price of each option is set by the Board of Directors at the time of grant but cannot be less than the market price (less permissible discounts) on the TSX Venture Exchange. Options can have a maximum term of five years and typically terminate ninety days following the termination of the optionee's employment or engagement. Vesting of options is at the discretion of the Board of Directors at the time the options are granted.

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price \$
Outstanding, March 31, 2015	—	—
Granted	4,409,650	0.20
Exercised	(1,350,000)	0.20
Outstanding, March 31, 2016	3,059,650	0.20
Granted	6,765,004	0.10
Exercised	(4,800,000)	(0.11)
Outstanding, March 31, 2017	5,024,654	0.15

All stock options granted during the year were to officers and directors of the Company. Additional information regarding stock options outstanding as at March 31, 2017, is as follows:

Range of exercise prices \$	Outstanding and exercisable		
	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price \$
0.10	2,665,004	3.7	0.10
0.20	2,359,650	4.7	0.20
	5,024,654	4.2	0.15

The fair values for stock options granted have been estimated using the Black-Scholes option pricing model assuming no expected dividends or forfeiture rates, and the following weighted average assumptions:

	2017	2016
Risk-free interest rate	0.97%	0.97%
Expected life (in years)	5.0	5.0
Expected volatility	161%	214%

The fair value of stock options vested during the year ended March 31, 2017, was \$1,154,423 (2016 - \$780,256) which was recorded as share-based payment reserve and charged to operations. The weighted average fair value of stock options granted during the year ended March 31, 2017, was \$0.17 (2016 - \$0.18) per stock option.

During the year ended March 31, 2017, 4,800,000 (2016 - 1,350,000) stock options were exercised of which \$823,440 (2016 - \$238,873) was reclassified from share-based payment reserve to common shares. The weighted average share price at the time of exercise was \$0.09 (2016 - \$0.18).

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12. Financial Instruments and Risks**(a) Fair Values**

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at March 31, 2017, as follows:

	Fair value measurements using			Balance, March 31, 2017 \$
	Quoted prices in active markets for identical instruments (Level 1) \$	Significant other observable inputs (Level 2) \$	Significant unobservable inputs (Level 3) \$	
Cash	293,967	—	—	293,967

The fair values of other financial instruments, which include amounts receivable, amounts due from related party, and accounts payable and accrued liabilities, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, amounts receivable, and reclamation deposits. The Company holds its cash with high credit quality financial institutions. Amounts receivable consists of trade receivables from the sale of inventory products and GST receivable from the Government of Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

The Company has entities in Canada, operates primarily in Canada, and has the majority of its cash in Canada and held in Canadian dollars. However, the Company occasionally has transactions denominated in US dollars. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in these foreign currencies.

The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk. However, management of the Company believes there is no significant exposure to foreign currency fluctuations due to the limited number of transactions conducted in the United States dollar.

(d) Interest Rate Risk

The Company's cash may contain highly liquid investments that earn interest at market rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

(f) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

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13. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital, share subscriptions received, and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the period ended March 31, 2016.

14. Segmented Information

The Company's operations are based on mineral exploration activities located primarily in Canada.

15. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2017 \$	2016 \$
Canadian statutory income tax rate	26%	26%
Income tax recovery at statutory rate	(426,072)	(454,035)
Tax effect of:		
Permanent differences and other	300,150	203,803
Change in unrecognized deferred income tax assets	125,922	250,232
Income tax provision	—	—

The significant components of deferred income tax assets and liabilities are as follows:

	2017 \$	2016 \$
Deferred income tax assets (liability)		
Non-capital losses carried forward	579,673	479,155
Property and equipment	(29,295)	(9,033)
Exploration and evaluation assets	91,343	45,677
Total gross deferred income tax assets	641,721	515,799
Unrecognized deferred income tax assets	(641,721)	(515,799)
Net deferred income tax asset	—	—

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15. Income Taxes (continued)

As at March 31, 2017, the Company has non-capital losses carried forward of \$2,229,512, which are available to offset future years' taxable income. These losses expire as follows:

	\$
2026	72,930
2027	87,666
2028	91,728
2029	141,992
2030	107,656
2031	73,493
2032	90,326
2033	89,025
2034	58,716
2035	207,880
2036	821,494
2037	386,606
	<u>2,229,512</u>

The Company also has available mineral resource related expenditure pools totalling \$612,586, which may be deducted against future taxable income on a discretionary basis.

16. Subsequent Events

- (a) On April 25, 2017, the Company issued 14,250,000 common shares upon the exercise of share purchase warrants for proceeds of \$1,425,000.
- (b) On April 25, 2017, the Company granted 1,425,000 stock options to officers and directors of the Company which are exercisable at \$0.10 per common share until July 24, 2022.
- (c) On July 20, 2017, the Company acquired nine claims totaling 187 hectares in the Boston Bar Property and two claims in the Quesnel Property totaling 59 hectares from a non-related party for \$230,000.