Condensed Interim Consolidated Financial Statements

Stroud Resources Ltd.

March 31, 2017 and 2016

Management's Responsibility for the Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Stroud Resources Ltd. (the "Company") are the responsibility of management and have been approved by the Board of Directors.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the date of the reporting period. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Howard Atkinson"
Howard Atkinson
Director

"Mirsad Jakubovic"
Mirsad Jakubovic
Chief Executive Officer

Notice of no Auditor Review of Interim Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Stroud Resources Ltd.
Incorporated under the laws of Ontario

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[Expressed in Canadian dollars]
[See note 2 - going concern]

As at

	March 31, 2017	December 31, 2016
	$	**$**
ASSETS		
Current		
Cash and cash equivalents	**41,651**	79,142
Accounts receivable	**10,987**	9,978
Prepaid expenses and sundry assets	**25,895**	20,967
Total current assets	**78,533**	110,087
Oil and gas interests, net of accumulated depletion of $516,405 [2016 - $516,405] *[note 7]*	**527**	777
Total assets	**79,060**	110,864
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities *[note 6 and 8]*	**1,306,004**	1,285,308
Total current liabilities	**1,306,004**	1,285,308
Total Liabilities	**1,306,004**	1,285,308
Shareholders' equity (deficiency)*[note 9]*		
Share capital	**19,968,215**	19,968,215
Reserves	**3,100,823**	3,050,123
Deficit	**(24,297,713)**	(24,194,513)
Accumulated other comprehensive income (loss)	**1,731**	1,731
Total shareholders' equity (deficiency)	**(1,226,944)**	(1,174,444)
Total liabilities and shareholders' equity (deficiency)	**79,060**	110,864

Commitments and Contingencies *(notes 2,3,6,8and 13)*

See accompanying notes

On behalf of the Board:

"Mirsad Jakubovic"
Director

"Howard Atkinson"
Director

Stroud Resources Ltd.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

[Expressed in Canadian dollars]

Three months ended

	March 31, 2017	March 31, 2016
	$	$
OIL AND GAS OPERATIONS		
Revenue, net of royalties	**12,742**	8,460
Operating expenses	**13,975**	5,241
Depletion of oil and gas interests	**250**	250
Oil and gas expenses	**14,225**	5,491
Income (loss) from oil and gas operations	**(1,483)**	2,969
Impairment of mineral properties *[note 6]*	**7,099**	203
ADMINISTRATIVE EXPENSES		
Administrative fees	**7,500**	7,500
Business development	**10,500**	—
Director fees	**11,250**	11,250
Interest expense	**—**	33,928
Licences and fees	**5,200**	5,200
Stock-based compensation *[note 9[c]]*	**50,700**	—
Office and general	**224**	397
Professional fees	**8,146**	11,831
Rent	**1,098**	1,023
Total administrative expenses	**94,618**	71,129
Loss before income taxes	**(103,200)**	(68,363)
Other income	**—**	—
Net loss for the period	**(103,200)**	(68,363)
Total comprehensive loss for the period	**(103,200)**	(68,363)
Basic and diluted loss per share *[note 9(d)]*	$(0.001)	$(0.002)
Weighted average number of common shares outstanding *[000's]*	**196,441**	196,441

See accompanying notes

Stroud Resources Ltd.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in Canadian dollars]

Period ended March 31

	2017	2016
	$	$
OPERATING ACTIVITIES		
Net loss for the year	**(103,200)**	(68,363)
Add items not involving cash		
Depletion and amortization	**250**	250
Stock-based compensation	**50,700**	—
Accrued interest	**—**	33,928
	(52,250)	(34,185)
Net change in non-cash working capital balances related to operations *[note 10]*	**14,759**	26,687
Cash used operating activities	**(37,491)**	(7,498)
INVESTING ACTIVITIES		
Mineral properties and deferred costs	**—**	(2,155)
Cash used in investing activities	**—**	(2,155)
FINANCING ACTIVITIES		
Advances from shareholders	**—**	9,225
Cash provided by financing activities	**—**	9,225
Net increase (decrease) in cash and cash equivalents during the period	**(37,491)**	(428)
Cash and cash equivalents, beginning of year	**79,142**	689
Cash and cash equivalents, end of period	**41,651**	261
Supplementary information	—	—

See accompanying notes

Stroud Resources Ltd.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

[Expressed in Canadian dollars]

	Common shares		Warrants		Other reserves	Deficit	Accumulated other comprehensive income (loss)	Total shareholders' equity
	#	$	#	$	$	$	$	$
December 31, 2015	196,440,650	19,968,215	—	—	3,050,123	(23,962,449)	1,731	(942,380)
Net loss for the period	—	—	—	—	—	(68,363)	—	(68,363)
March 31, 2016	196,440,650	19,968,215	—	—	3,050,123	(24,030,812)	1,731	(1,010,743)
Net loss for the period	—	—	—	—	—	(81,527)	—	(81,527)
June 30, 2016	196,440,650	19,968,215	—	—	3,050,123	(24,112,339)	1,731	(1,092,270)
Net loss for the period	—	—	—	—	—	82,164	—	82,164
September 30, 2016	196,440,650	19,968,215	—	—	3,050,123	(24,030,175)	1,731	(1,010,106)
Net loss for the period	—	—	—	—	—	(164,338)	—	(164,338)
December 31, 2016	196,440,650	19,968,215	—	—	3,050,123	(24,194,513)	1,731	(1,174,444)
Stock-based compensation	—	—	—	—	50,700	—	—	50,700
Net loss for the period	—	—	—	—	—	(103,200)	—	(103,200)
March 31, 2017	196,440,650	19,968,215	—	—	3,100,823	(24,297,713)	1,731	(1,226,944)

See accompanying notes

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars unless otherwise noted]

March 31, 2017 and 2016

1. CORPORATE INFORMATION

Stroud Resources Ltd. [the "Company" or "Stroud"] was incorporated on March 18, 1983 under the laws of the Province of Ontario. Stroud is an international mineral exploration company with an exploration portfolio in Canada and Mexico. The Company holds its interest in its Mexican properties through its wholly-owned subsidiary, Compañia Minera San Diego y La Espanola S.A. de C.V. ["Compañia Minera"], which holds prospecting and exploration permits for the properties. The address of the Company's registered office is 1090 Don Mills Rd. Suite 404, Toronto, Ontario, M3C 3R6, Canada.

2. CONTINUANCE OF OPERATIONS AND GOING CONCERN

The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and development costs is dependent upon the existence of economically recoverable resources, the ability of the Company to obtain all necessary permits and raise financing to complete the exploration and development, and future profitable production or proceeds from the disposition of such properties. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, expropriation of properties, currency exchange fluctuations and restrictions and political uncertainty. These risks may adversely affect the investment in the properties and may result in the impairment or loss of all or part of the Company's mineral properties.

These condensed interim consolidated financial statements have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The Company has an accumulated deficit of $24,297,713 as at March 31, 2017 [December 2016 - $24,194,513] of which a comprehensive loss of $103,200 was incurred during the current period [2016 -$68,363]. For the three months ended March 31, 2017, the Company had negative operating cash flows of $37,491 [2016 - $7,498] and as at March 31, 2017, its current liabilities exceeded its current assets by $1,227,471 [December 2016 - $1,175,221].

The Company does not have sufficient cash to continue its operations for the foreseeable future and will require additional financing which, if not raised, would result in the curtailment of activities, to the extent appropriate counterparties can be found, the sale, option or joint venturing of assets. The Company's ability to continue to meet its obligations and carry out its planned exploration activities is uncertain and dependent upon its ability to obtain further funds. There can be no assurances that the Company will be able to raise sufficient financing or on terms acceptable to management. The outcome of these matters cannot be predicted at this time and, accordingly, these matters create a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. If the going concern assumption is not appropriate, adjustments will be necessary to carrying amounts and classification of assets, liabilities and expenses in the condensed interim consolidated financial statements. Such adjustments could be material.

3. BASIS OF PRESENTATION

Statement of compliance

These condensed interim consolidated financial statements, including comparative figures, have been prepared in accordance with International Financial Reporting Standards ["IFRS"] as issued by the International Accounting Standards Board ["IASB"].

The condensed interim consolidated financial statements were authorized for issue on May 31, 2017, the date the Board of Directors approved the condensed interim consolidated financial statements.

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

[a] Principles of consolidation

The condensed interim consolidated financial statements reflect the financial position and results of operations of the Company and its wholly-owned subsidiary Compañia Minera. All intercompany transactions and balances have been eliminated.

[b] Comprehensive loss

Comprehensive loss is comprised of net loss and other comprehensive loss. Other comprehensive income (loss) is comprised of the cumulative translation adjustment of its wholly-owned subsidiary Compañia Minera. The components of comprehensive loss, if any, are disclosed in the condensed interim consolidated statements of loss and comprehensive loss.

[c] Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks, and short-term fixed income deposits with original maturity dates shorter than three months.

[d] Mineral properties and deferred costs

The Company is in the exploration stage with respect to its investment in mineral properties and follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting any revenues received prior to commercial production against the cost of the related claims. Such costs include, but not are not limited to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. Mineral properties and deferred costs are assessed for impairment only when facts and circumstances suggest that the carrying amount may exceed its recoverable amoun.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, mineral properties and deferred costs attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

[e] Property. plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of capital assets, less their estimated residual value, using the declining balance method over the following expected useful lives:

Motor vehicle	30%
Furniture and fixtures	20%
Other equipment	30%
Drilling equipment	20%

If impairment indicators are present, the Company compares the carrying value of capital assets to estimated net recoverable amounts, based on estimated future cash flows to determine whether there is any impairment. The depreciation method, useful life and residual values are assessed annually.

[f] Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

The amount expensed for stock option compensation is based on the application of the Black-Scholes option pricing model, which is highly dependent on the expected volatility of the Company's registered shares and the expected life of the options.

[g] Determination of reserves and resources

The Company uses the services of experts to estimate the indicated and inferred resources of its mineral properties in Mexico and Canada. These experts express an opinion based on certain technological and legal information as prepared by management as being current, complete and accurate as of the date of their calculations and in compliance with National Instrument 43-101. These estimated resources are used in the evaluation of the carrying values, amortization rates and the timing of cash flows.

[h] Income taxes

Current income taxes are recognized for the estimated income taxes payable for the current period. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantively enacted to be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates [and tax laws] that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to settle current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

[i] Provision for environmental rehabilitation

If required, provision will be made for asset retirement, restoration and for environmental rehabilitation costs [which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas] in the financial period when the related environmental disturbance occurs, resulting in a legal or constructive obligation to the Company. The provision would be based on the estimated future costs using information available at the consolidated statement of financial position date. The provision would be discounted using a current market-based pre-tax discount rate and the accretion of the discount would be included in amortization and accretion expense. At the time of establishing the provision, a corresponding asset would be capitalized, where it gives rise to a future benefit, and depreciated over future production from the mine to which it relates.

Any provision would be reviewed on an annual basis for changes to obligations, legislation or discount rates that effect change in cost estimates or life of operations. The cost of the related asset would be adjusted for changes in the provision resulting from changes in the estimated cash flows or discount rate, and the adjusted cost of the asset would be depreciated prospectively. As at March 31, 2017 and December 2016, management has estimated that no material provision is required for any environmental rehabilitation.

[j] Foreign currency

The functional currency of the Company is the Canadian dollar and the functional currency of the Company's subsidiary is the Mexican peso. The condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the condensed interim consolidated statements of loss.

The results and financial position of entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each consolidated statement of loss and comprehensive loss are translated at average exchange rates [unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transaction]; and
- all resulting exchange differences are recognized as a separate component of equity [accumulated other comprehensive income].

On consolidation, exchange differences arising from the translation of the net investment in foreign operations is recorded in equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the condensed interim consolidated statements of loss and comprehensive loss as part of the gain or loss on sale.

[k] Financial instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and advances from shareholders. The Company has designated its cash at fair value through profit or loss, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and advances from shareholders are classified as other financial liabilities, which are measured at amortized cost.

Financial assets

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

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the condensed interim consolidated statement of financial position at fair value with changes in fair value recognized in the condensed interim consolidated statement of loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the condensed interim consolidated statement of loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss recognized in the condensed interim consolidated statement of loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities as other financial liabilities. This category includes accounts payables, accrued liabilities and short-term advances, which are recognized at amortized cost.

Determination of fair value

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements of the fair value of financial assets and liabilities.

- Level one includes quoted prices in active markets for identical assets or liabilities.
- Level two includes inputs that are observable other than quoted prices included in level one.
- Level three includes inputs that are not based on observable market data.

The Company has determined that cash and cash equivalents fall within level one of the fair value available hierarchy, and all other financial instruments outstanding as at the date of the condensed interim consolidated statements of financial position fall within level two of the fair value hierarchy. The carrying value of all financial instruments approximates their fair value as a result of their short-term nature.

[l] Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the period.

[m] Significant accounting judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognized in the Company's condensed interim consolidated financial statements, are related to the economic recoverability of the mineral properties (refer to note 6), functional currency determination for the Company and its subsidiary, appropriateness of expenditures renounced for flow through purposes, valuation of provisions for environmental rehabilitation, determination of income, value added, withholding and other taxes (note 11), and assumption of going concern (refer to note 2).

[n] Significant accounting estimates

The preparation of these condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed interim consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim 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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the condensed interim consolidated statements of financial position date, that could result in a 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:

- impairment of non-financial assets (notes 3(d),(g) and (q))
- the inputs used in accounting for share-based compensation expense in the condensed interim consolidated statements of loss and comprehensive loss (notes 3(f) and 9).
- the provision for income taxes which is included in the consolidation statements of loss and comprehensive loss and compositions of deferred income tax assets and liabilities included in the condensed interim consolidated statement of financial position (note 11); and
- the inputs used in determining the various commitments and contingencies accrued in the condensed interim consolidated statements of financial position (note 6 and 13).

[o] Flow-through shares

Flow-through shares issued are recognized in share capital based on the quoted market price of the Company's shares on the date of issue. Any premium between the amount recognized in common shares and the amount the investor pays for the shares is recognized as a deferred gain, which is recognized in net income as gain on flow-through share premium when the eligible expenditures are renounced and the related spending has occurred. The Company also indemnifies the subscribers of flow-through shares against any tax related amounts that become payable as a result of the Company not fulfilling its responsibility pursuant to the subscription agreements between the Company and the subscribers.

[p] Other accounting changes

During 2016, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IAS 1and IAS 38. These new standards and changes did not have any material impact on the Company’s condensed interim consolidated financial statements.

Future changes in accounting standards:

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after January 1, 2017 or later. Updates that are not applicable or are not consequential to the Company have been excluded.

IFRS 9 - Financial Instruments (“IFRS 9”) as issued in 2014, introduces new requirements for the classification and measurement of financial instruments, a new expected-loss impairment model that will require more timely recognition of expected credit losses and a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. IFRS 9 also removes the volatility in profit or loss that was caused by changes in an entity’s own credit risk for liabilities elected to be measured at fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The Company has not yet begun the process of evaluating the impact of this standard on its consolidated financial statements.

IFRS 2 - Share-based Payment ("IFRS 2") was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modification of share=based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018 with earlier application permitted.

IAS 7 - Statement of Cash Flows ("IAS7") was amended in January 2016 to clarify that disclosures shall be provided that enable the users of financial statements to evaluate changes in liabilities arising from financing activities. the amendments are effective for annual periods beginning on or after January 1, 2017.

IAS 12 - Income Taxes (“IAS 12”) was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument’s holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted. The Company is currently assessing the impact of IAS 12 on its consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers (“IFRS 15) was issued in May 2014, which will replace IAS 11, Construction Contracts, IAS 18, Revenue Recognition, IFRIC 13, Customer Loyalty Programmes, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions Involving Advertising Services. IFRS 15 provides a single, principles-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17; financial instruments and other contractual rights or obligations within the scope of IFRS 9, IFRS 10, Consolidated Financial Statements and IFRS 11, Joint Arrangements. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The incremental costs of obtaining a contract must be recognized as an asset if the entity expects to recover these costs. The standard’s requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity’s ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted. The Company has not yet begun the process of evaluating the impact of this standard on its consolidated financial statements.

[q] Impairment of non-financial assets

At each reporting date, the carrying amounts of the Company's long-lived assets are reviewed 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 in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset 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 profit or loss for the period.

For the purposes of impairment testing, long-lived assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in profit or loss..

[r] Oil and gas interests

Costs capitalized include land acquisition costs, geological and geophysical expenditures, rentals on undeveloped properties and drilling and overhead expenses related to exploration and development activities.

Revenue, net of royalties from oil and gas operations is recognized when title passes from the Company to the customer, generally at the time of shipment.

The costs related to oil and gas interests are depleted and amortized on a unit-of-production basis. The carrying values of oil and gas assets are reviewed periodically, when impairment factors exist, for possible impairment. The recoverable amounts of oil and gas assets are determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company’s oil and gas assets and the discount rate.

[s] Provisions

The Company records provisions which include various estimates, including the Company's best estimate of the future costs associated with settlement of the obligation, with discount rates applied. Such estimates are necessarily calculated with reference to external sources, all of which are subject to annual review and change.

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and advances from shareholders. Unless otherwise noted, the Company is not exposed to significant interest rate, currency or credit risks arising from these financial instruments.

Fair value

The fair values of cash, accounts receivable, accounts payable and accrued liabilities and advances from shareholder approximates their carrying values due to their short-term maturity.

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the condensed interim consolidated statement of financial position dates.

[i] Cash

The Company minimizes its exposure to credit risk by keeping the majority of its cash as cash on deposit with a major Canadian chartered bank. Management expects the credit risk to be minimal.

[ii] Receivables

Management does not expect these counterparties to fail to meet their obligations. Accounts receivable are in good standing as of March 31, 2017 and December 31, 2016. The Company does not have receivables that it considers impaired or otherwise uncollectible.

Foreign currency risk

The prices paid by the Company for some services and supplies are paid in U.S. dollars or Mexican pesos and the Company raises funds in Canadian dollars. As at March 31, 2017 and December 31, 2016, the Company believes the currency risk is limited and not a risk to be hedged at the present time.

Interest rate risk

Interest rate risk arises because of changes in market interest rates. The Company is exposed to interest rate risk on short-term advances and advances from shareholders. Due to the short-term nature of these borrowings and the fixed nature of their interest rates, the Company believes interest rate risk is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities as they come due. The Company's objective is to maintain sufficient liquid resources to meet operational requirements. As at March 31, 2017, the Company had cash of $41,651 [December 31, 2016 - $79,142]. In addition, at March 31, 2017, the Company's working capital position was negative $1,227,471 [December 31, 2016 - negative $1,172,221]. The Company is working to raise additional monies to fund future exploration programs, but there can be no assurance that it will be successful in these efforts *[Note 2]*.

Capital risk

The Company's objectives when managing capital are: [i] to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and provide returns for shareholders, and [ii] to maintain a flexible capital structure, which optimizes the cost of capital at an acceptable risk. The Company includes the components of shareholders' equity, long-term debt, cash and cash equivalents and short-term investments, if any, in the management 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 the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and short-term investments.

To facilitate the management of its capital requirements, the Company prepares forecasts or expenditure budgets for its activities that are used to monitor performance. Variances to plan will result in adjustments to capital deployment subject to various factors and industry conditions. The Company's activities and associated forecasts or budgets are approved by the Board of Directors.

The Company's capital management objectives, policies and processes have remained unchanged during the periods ended March 31, 2017 and December 31, 2016.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of March 31, 21017 the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

The Company's investment policy is to invest its cash in highly liquid, short-term, interest-bearing investments with maturities of less than a year from the original date of acquisition, selected with regard to the expected timing of expenditure from operations.

Commodity price risk

The ability of the Company to explore and evaluate its exploration and evaluation properties and the future profitability of the Company are directly related to the price of certain minerals. The Company monitors emerald prices to determine the appropriate course of action to be taken.

[Expressed in Canadian dollars unless otherwise noted]

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	Drilling equipment $	**Total** $
Cost		
As at December 31, 2014	674,382	674,382
Additions	—	—
Disposals	—	—
As at December 31, 2016 and March 31, 2017	**674,382**	**674,382**
Accumulated depreciation		
As at December 31, 2014	542,382	542,382
Depreciation for the year	26,400	26,400
Disposals	105,600	105,600
As at December 31, 2015	542,382	542,382
Depreciation for the year	—	—
Impairment adjustment	—	—
As at December 31, 2016 and march 31, 2017	**674,382**	**674,382**
Net book value		
As at December 31, 2015	—	—
As at December 31, 2016 and March 31, 2017	—	—

6. MINERAL PROPERTIES AND DEFERRED COSTS

The mineral properties to which the Company has exploration rights are as follows:

	Hislop Project	Leckie / Penrose Project	Santo Domingo Project	Total Mineral Properties
Balance, December 31, 2014	1,334,050	—	—	1,334,050
Additions	3,471	—	169,663	118,134
Impairment	—	—	(169,663)	(114,663)
Balance, December 31, 2015	1,337,521	—	—	1,337,521
Additions	2,155	—	24,036	2,155
Impairment	—	—	24,036	—
Disposal	(1,339,676)			(1,339,676)
Balance, December 31, 2016 and March 31, 2017	—	—	—	—

Hislop project

The Company previously held a 100% interest in properties located in Hislop Township, Ontario. During 2016, the Company sold 100% of the property to a private entity for proceeds of $1,501,736, comprised of cash of $225,000 and assumption of advances from shareholders of $1,276,736 . The Company retained a net smelter royalty of 0.5% which the purchaser may acquire for $1,000,000 (note 8).

Leckie/Penrose project

The Company has a 100% interest in the Leckie/Penrose project. The interests in this property are 100% owned and not subject to any outstanding obligations or commitments.

Santo Domingo project

The Company has a 100% interest in Compañia Minera. Compañia Minera owns certain mineral concessions in the state of Jalisco, Mexico. The Company is obligated to pay Amerix Precious Metals Corporation ["APM"] a royalty fee of 5% from any of Compañia Minera's net proceeds of sale of minerals to a maximum of $1,000,000.

An additional amount of U.S. $2,450,000 is to be paid in quarterly installments to a prior owner, if and when revenue is generated from minerals extracted by Compañia Minera, commencing three months after the start of commercial production. Each quarterly installment will be equal to 0.5% of the net smelter return [defined as revenue actually received by Compañia Minera from the sale of smelter minerals]. In 2011, the Company paid U.S. $100,000 to the prior owner in consideration for the prior owner agreeing to reduce the additional amount to be paid to U.S. $2,325,000. In 2014, the Company paid U.S. $30,000 to the prior owner in consideration for the prior owner agreeing to reduce the additional amount to be paid to U.S.$2,285,000.

During 2016, the prior owner of the Santo Domingo project alleged that the royalty payments totaling US$2,285,000 were due. Management's position is that no amount is due prior to revenue being generated from commercial production. Management intends to defend the Company on this basis. No amount has been accrued related to this matter as of December 31, 2016.

The Company determined there were indicators of impairment as at March 31, 2017, December 31, 2016, and 2015 due to the prolonged decrease in commodity prices and uncertainty regarding the status of the property and therefore tested the property for impairment. The Company estimated the recoverable amount as fair value less cost to sell using a multiple of resources and determined that a write-down of the property to a nil balance was required.

In order to maintain the Company's mineral concessions and titles in good standing, the Company is required to maintain a prescribed minimum of annual exploration expenditure and pay fees semi-annually to the Secretaria de Economia in Mexico. Failure to make the annual concession payments or incur the minimum annual exploration expenditures, to the satisfaction of the Mexican authorities, or a determination that the expenditures incurred are not qualifying expenditures, may result in the cancellation or forfeiture of the mineral concessions. Management believes that all payments made are appropriate and current.

[Expressed in Canadian dollars unless otherwise noted]

A provision with respect to other costs related to the Santo Domingo project of $885,000 [2016 - $765,000] is included in accounts payable and accrued liabilities. This provision is based on the Company's best estimate of a provision with a maximum exposure of U.S.$660,000.

The Company is currently negotiating a new agreement with the owners of the surface rights on the Santo Domingo property.

7. OIL AND GAS INTERESTS

The Company holds a 3.75% interest in six oil and gas producing properties in Alberta. The properties are currently operated by Omers Energy Inc. The Company's proportionate share of the revenue from these properties, net of operating expenses, is received from the operator on a monthly basis.

8. RELATED PARTY TRANSACTIONS

During the period ended March 31, 2017, the Company entered into the following related party transactions:

- The Company accrued $7,500 [2016 - $7,500] for consulting fees to the President.
- The Company accrued $11,250 [2016 - $11,250] for fees to the Directors.
- During the period ended March 31, 2017, shareholders advanced nil [2016 - $9,225] to the Company.

9. SHAREHOLDERS' EQUITY (DEFICIT)

[a] Share capital

Authorized share capital consists of unlimited common shares with no par value.

The continuity of share capital is as follows:

	Shares \#	Amount $
Balance, March 31, 2017 and December 31, 2016	196,440,650	19,968,215

[b] Warrants

As at March 31, 2017 and December 31, 2016 the Company has no purchase warrants outstanding:

[c] Stock options

ON March 14, 2017, the Company granted incentive stock options to directors and officers of the Company to purchase an aggregate of 7,500,000 common shares under the Company's Stock Option Plan. Each option is exercisable at a price of $0.05 per common share, expires three years from the date of grant and vests on the date of grant. Stock-based compensation expense of $50,700 was recognized for the grant of options.

[Expressed in Canadian dollars unless otherwise noted]

The fair value of the options granted was estimated using a Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	1.10 %
Expected life in years	3 years
Expected volatility	162.0%
Expected dividend yield	0.0%

No stock options were granted during the three months ended March 31, 2016

As at March 31, 2017, the Company has available for issuance of 5,144,500 stock options under this plan. All previous stock options outstanding have expired without exercise.

	2017		2016	
	Number #	Weighted average exercise price $	Number #	Weighted average exercise price $
Outstanding, beginning of period	7,500,000	0.05	7,500,000	0.05
Forfeited	—	—	—	—
Granted	7,500,000	0.05	—	—
Outstanding, end of period	15,000,000	0.05	7,500,000	0.05
Options exercisable, end of period	15,000,000		7,500,500	

[d] Diluted loss per share

There has been no impact on diluted loss per share as a result of outstanding stock options and warrants, as the impact would be anti-dilutive.

10. CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

The net change in non-cash working capital balances related to operations consists of the following:

	2017 $	2016 $
Accounts receivable	(1,009)	(779)
Prepaid expenses and sundry assets	(4,928)	—
Accounts payable and accrued liabilities	20,696	27,466
	14,759	26,687

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in Canadian dollars unless otherwise noted]

March 31, 2017 and 2016

11. INCOME TAXES

The provision for income taxes differs from the expense that would be obtained by applying Canadian statutory rates to loss before income taxes as a result of the following:

	2017 $	2016 $
Loss before income taxes	(103,200)	(68,363)
Statutory tax rate	26.50%	26.50%
Expected income tax recovery	(27,348)	(17,090)
Losses not tax benefitted	27,348	17,090
Total income tax expense (recovery)	—	—

Deductible temporary differences and unused tax losses

The following deductible temporary differences and tax losses have not been tax-benefited on the condensed interim consolidated financial statements as at March 31, 2017 and December 2016:

	2017 $	2016 $
Deductible temporary differences		
Non-capital losses carried forward	3,374,000	3,374,000
Mineral properties and deferred costs	13,134,631	13,134,631
Capital assets	881,601	881,601
Other	875,195	875,195
Total	18,625,427	18,625,427

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

12. SEGMENTED INFORMATION

The Company operates in two segments: [1] mineral exploration and [2] oil and gas exploration and development. All required segment information is disclosed in the Company's condensed interim consolidated statements of loss and comprehensive loss and notes 6 and 7.

13. COMMITMENTS AND CONTINGENCIES

The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its activities are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.