KLONDIKE SILVER CORP.

Condensed Interim Financial Statements

For the Six Months Ended November 30, 2016 and 2015

(Expressed in Canadian Dollars)
(Unaudited)

NOTICE

No auditor review of these Condensed Interim Financial Statements

The accompanying unaudited condensed interim financial statements of Klondike Silver Corp. ("the Company"), for the six months ended November 30, 2016, have been prepared by management and have not been the subject of a review by the Company's external independent auditors.

KLONDIKE SILVER CORP.
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed In Canadian dollars)
(Unaudited)

		November 30, 2016		May 31, 2016
ASSETS				
Current				
Cash	**$**	**45,308**	$	432,679
Receivables		**6,587**		8,701
Prepaid expenses		**41,467**		6,202
Total Current Assets		**93,362**		447,582
Deferred financing costs		**-**		54,300
Reclamation Bonds (Note 5)		**120,500**		120,500
Mill And Equipment (Note 6)		**331,214**		367,703
Exploration And Evaluation Assets (Note 7)		**10,128,962**		10,033,404
Total Assets	$	**10,674,039**	$	11,023,489
LIABILITIES				
Current				
Accounts payable	**$**	**115,140**	$	174,203
Accrued liabilities (Note 8)		**269,932**		350,767
Due to related parties (Note 10)		**-**		12,204
Advances payable (Note 11)		**-**		6,958
Mortgage payable (Note 12)		**145,000**		145,000
Total Current Liabilities		**530,072**		689,132
Restoration Provision (Note 9)		**94,134**		91,838
Total Liabilities		**624,206**		780,970
EQUITY				
Share Capital (Note 13)		**31,075,341**		30,454,669
Share Subscriptions Advances		**-**		589,600
Reserves		**3,274,097**		2,952,010
Deficit		**(24,299,605)**		(23,753,760)
Total Equity		**10,049,833**		10,242,519
Total Liabilities And Equity	**$**	**10,674,039**	$	11,023,489

Nature of Operations and Going Concern (Note 1)

These financial statements were approved for issue by the Board of Directors on January 27, 2017.

They are signed on the Company's behalf by:

"*Thomas Kennedy*"	"*Christopher Cherry*"
Director	**Director**

The accompanying notes are an integral part of these condensed interim financial statements

KLONDIKE SILVER CORP.

CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed In Canadian dollars)
(Unaudited)

	THREE MONTHS ENDED November 30,		SIX MONTHS ENDED November 30,	
	2016	2015	**2016**	2015
Expenses				
Accretion	**$ 1,148**	$ 1,094	**$ 2,296**	$ 2,187
Amortization	**29**	58	**57**	115
Compensation and consulting (Note 10)	**51,517**	18,109	**100,084**	33,888
Interest and bank charges	**3,348**	3,779	**7,274**	8,161
Investor relation and promotion (Note 10)	**25,744**	1,986	**34,698**	5,506
Office, rent, and miscellaneous (Note 10)	**18,656**	11,260	**36,814**	16,811
Professional fees (Note 10)	**3,812**	2,612	**8,161**	7,044
Regulatory and stock transfer fees	**6,057**	19,886	**11,314**	24,382
Share based compensation	**14,723**	-	**344,499**	-
Utilities and communication	**2,305**	1,768	**4,409**	5,759
Loss Before Other (Expenses)	**(127,339)**	(60,552)	**(549,606)**	(103,853)
Other Income				
Recovery of expenses	**-**	-	**3,761**	-
Other Income	**-**	-	**3,761**	-
Net Loss And Comprehensive Loss	**$ (127,339)**	$ (60,552)	**$ (545,845)**	$ (103,853)
Loss Per Share – Basic and diluted	**$ (0.00)**	$ (0.00)	**$ (0.01)**	$ (0.00)
Weighted Average Number Of Shares				
Basic and diluted	83,667,226	54,272,751	83,285,996	48,844,403

The accompanying notes are an integral part of these condensed interim financial statements

KLONDIKE SILVER CORP.

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Expressed In Canadian dollars)
(Unaudited)

	SHARE CAPITAL NUMBER	SHARE CAPITAL AMOUNT	SHARE SUBSCRIPTIONS	RESERVES	DEFICIT	TOTAL
Balance May 31, 2016	**62,805,059**	**$ 30,454,669**	**$ 589,600**	**$ 2,952,010**	**$ (23,753,760)**	**$ 10,242,519**
Issue of shares for cash, private placements						
Non flow-through shares	**20,166,667**	**605,000**	**-**	**-**	**-**	**605,000**
Share issue costs - cash	**-**	**(54,300)**	**-**	**-**	**-**	**(54,300)**
Share subscriptions	**-**	**-**	**(589,600)**	**-**	**-**	**(589,600)**
Exercise of warrants	**295,500**	**21,947**	**-**	**(1,262)**	**-**	**20,685**
Exercised of options	**400,000**	**48,025**	**-**	**(21,150)**	**-**	**26,875**
Share-based compensation	**-**	**-**	**-**	**344,499**	**-**	**329,776**
Comprehensive loss for the period	**-**	**-**	**-**	**-**	**(545,845)**	**(418,506)**
Balance, November 30, 2016	**83,667,226**	**$ 31,075,341**	**$ -**	**$ 3,274,097**	**$ (24,299,605)**	**$ 10,049,833**
Balance May 31, 2015	43,475,059	$ 30,043,969	212,600	2,879,860	(23,535,543)	9,600,886
Issue of shares for cash, private placements						
Non flow-through shares	19,330,000	411,100	(212,600)	72,150	-	270,650
Share issue costs - cash	-	(400)	-	-	-	(400)
Comprehensive loss for the period	-	-	-	-	(103,853)	(103,853)
Balance November 30, 2015	62,805,059	$ 30,454,669	$ -	$ 2,952,010	$ (23,639,396)	$ 9,767,283

The accompanying notes are an integral part of these condensed interim financial statements

KLONDIKE SILVER CORP.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS
(Expressed In Canadian dollars)
(Unaudited)

	Six Months Ended November 30, 2016	Six Months Ended November 30, 2015
Operating Activities		
Net loss for the period	$ **(545,845)**	$ (103,853)
Non-cash items:		
Accretion and amortization	**2,353**	2,302
Share-based compensation	**344,499**	-
Recovery of expenses	**(3,761)**	-
Changes in non-cash operating assets and liabilities:		
Receivables	**2,114**	(4,483)
Prepaid expenses	**(35,265)**	(9,248)
Accounts payable and accrued liabilities	**(138,579)**	(90,791)
Due to related parties	**(8,443)**	5,278
Advances payable	**(6,958)**	(12,500)
Deferred financing charge	**54,300**	-
Cash (Used In) Operating Activities	**(335,585)**	(213,295)
Investing Activities		
Exploration and evaluation assets costs	**(60,446)**	(40,898)
Cash (Used In) Investing Activities	**(60,446)**	(40,898)
Financing Activities		
Proceeds from share issuances, net of finders fees	**598,260**	482,850
Share subscriptions	**(589,600)**	(212,600)
Cash Provided By Financing Activities	**8,660**	270,250
(Decrease) In Cash During The Period	**(387,371)**	16,057
Cash – Beginning Of Year	**432,679**	20,301
Cash – End Of Period	**$ 45,308**	$ 36,358

Supplementary Cash Flow Information:		
Cash Paid During The Year For:		
Interest	**$ 6,489**	$ 6,489
Income Tax	**$ -**	$ -
Non-cash Financing And Investing Activities:		
Exploration & evaluation costs included in accounts payable	**$ 380,775**	$ 380,940
Amortization capitalized to exploration and evaluation assets	**$ 36,432**	$ 36,702

The accompanying notes are an integral part of these condensed interim financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

Klondike Silver Corp. (the "Company") was incorporated on March 2, 2005 under the laws of the Province of British Columbia, Canada. The Company is a public company listed on the TSX Venture Exchange (the "TSX.V"), trading under the "KS" symbol. The address of the Company's corporate records office and principal place of business is Suite 804 – 750 West Pender Street, Vancouver, British Columbia V6C 2T7.

The Company incurred a net loss of $(545,845) for the period ended November 30, 2016 (May 31, 2016 - $(218,217) and had a working capital deficiency at November 30, 2016 of $(436,710) (May 31, 2016 - $(241,550) and a deficit of $24,299,605 (May 31, 2016 - $23,753,760). As at November 30, 2016 the Company did not have sufficient cash to meet minimum general and administration expenses for the year ending May 31, 2017. These statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. While the Company is expending its best efforts in this regard, the outcome of these matters cannot be predicted at this time.

The Company is in the process of acquiring, exploring and developing its exploration and evaluation assets and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves, and upon future profitable production. The operations of the Company have primarily been funded by the issuance of common shares and ancillary income. Continued operations of the Company are dependent on the Company's ability to complete equity financing or generate profitable operations in the future. Management's plan in this regard is to secure additional funds through future equity financings, which may not be available or may not be available on reasonable terms. These factors may cast significant doubt on the Company's ability to continue as a going concern. Accordingly, the financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, contingent obligations and commitments other than in the normal course of business and at amounts different from those in the financial statements.

2. BASIS OF PRESENTATION

a) Statement of Compliance

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

2. BASIS OF PRESENTATION (Continued)

b) Basis of Measurement and Presentation

These financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. In the opinion of management, all adjustments (including normal recurring accruals), considered necessary for a fair presentation have been included.

c) Foreign Currencies

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

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

d) Critical Accounting Judgments and Estimates

The preparation of these financial statements requires management to make judgments and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these judgments and estimates. The financial statements include judgments and estimates, which, by their nature, are uncertain. The impacts of such judgments and estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the statement 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:

Critical Judgments

- Management is required to assess indications of impairment on its exploration and evaluation assets in accordance with IFRS 6 as described in the Company's significant accounting policies

- The Company assesses the possibility and amount of any impairment loss or write-down as it relates to mill and equipment.

2. BASIS OF PRESENTATION (Continued)

d) Critical Accounting Judgments and Estimates (Continued)

Critical Judgments (Continued)

- Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

Estimates

The preparation of financial statements in accordance with International Financial Reporting Standards ("IFRS") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from management's best estimates, as additional information becomes available. The most sensitive estimates affecting the financial statements were the identification and capitalization of exploration costs, the existence of contingent assets and liabilities, the valuation of share-based compensation and the valuation of deferred income tax assets.

Areas where estimates are significant to the financial statements were as follows:

- the useful lives of mill and equipment which are included in the statements of financial position and the related amortization included in the statement of comprehensive loss;
- the inputs used in determining the net present value of the liability for decommissioning liabilities included in the statement of financial position;
- the inputs used in accounting for stock based compensation expense in the statement of loss and comprehensive loss; and
- the determination of income taxes and the valuation of deferred income tax assets.
- The amount of the constructive obligation

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Financial Instruments and Risk Management

<u>Financial assets</u>

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

Fair value through profit or loss ("FVTPL") - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of operations and comprehensive loss.

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

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 rate 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 statements of operations and comprehensive loss.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statements of operations and accumulated other comprehensive income (loss).

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Financial Instruments and Risk Management (Continued)

Financial liabilities

The Company classifies its financial liabilities into one of two 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 liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

Other financial liabilities - This category includes amounts due to related parties and accounts payable and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified cash and reclamation bonds as fair value through profit or loss financial assets. Accounts payable, accrued liabilities, advances payable, mortgage payable and due to related parties are classified as other financial liabilities. Management did not identify any material embedded derivatives, which require separate recognition and measurement.

Disclosures about the inputs to financial instrument fair value measurements are made within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data

Financial instruments are exposed to credit, liquidity and market risks. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Liquidity risks is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Market risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of price risk: currency risk, interest rate risk and other price risk.

Liquidity risk is significant to the Company’s statement of financial position. The Company manages these risks by actively pursuing additional share capital issuances to settle its obligations in the normal course of its operating, investing and financing activities. The Company’s ability to raise share capital is indirectly related to changing metal prices and the price of gold, silver, zinc and lead in particular. To mitigate this market risk, management of the Company actively pursues a diversification strategy with property holdings focusing on base metals as well as precious metals.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Cash and Cash Equivalents

Cash and cash equivalents consists of balances with banks and investments in financial instruments with maturities within three months held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. The Company places its cash and cash investments with institutions of high-credit worthiness. The Company had no cash equivalents as at November 30, 2016 and 2015.

c) Mill and Equipment

The mill comprises a used ore processing plant, used buildings and related equipment stated at cost less accumulated amortization. Amortization on mill and equipment is provided on the straight line method over estimated useful lives ranging from three to twenty years.

d) Exploration and Evaluation Assets

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activities, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss. Ancillary income received while the properties are in the exploration stage is credited to the carrying value of the mineral properties. Cost recoveries are credited against specific property costs, as received.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Facts and circumstances relating to impairment as defined in *IFRS 6 exploration and evaluation assets* are as follows:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not let to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Exploration and Evaluation Assets (Continued)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

It is management's judgment that none of the Company's exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets.

Although the Company has taken steps to verify title to exploration and evaluation assets 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 may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

e) Impairment of Non-financial Assets

Impairment tests on intangible assets with indefinite useful economic lives are undertaken annually at the financial year-end. Other non-financials assets, including the mill, equipment and exploration and evaluation assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the assets is written down accordingly.

Where it is possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets. The Company has one cash-generating unit for which impairment testing is performed.

An impairment loss is recognized in the statement of operations, except to the extent they reverse gains previously recognized in other comprehensive income or loss.

f) Decommissioning Liabilities

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Decommissioning Liabilities (Continued)

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks.

Additional environmental disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

g) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in any provision due to the passage of time is recognized as accretion expense.

h) Share Capital

i) Non-monetary consideration

Agent's warrants issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as consideration for exploration and evaluation assets is based on the trading price of those shares on the TSX.V on the date of the agreement to issue shares as determined by the Board of Directors. Proceeds from unit placements are allocated between shares and warrants issued using the residual method.

ii) Flow-through shares

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

The Company may also be subject to a Part XII.6 tax on flow-through proceeds, renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Share Capital (Continued)

iii) Share-based payments

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

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

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

iv) Share issuance costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations.

i) Loss Per Share

Basic loss per share is calculated by dividing the loss for the period by the weighted average number of common shares issued and outstanding during the period. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the period. Basic and diluted loss per share is equal as outstanding stock options and warrants were all anti-dilutive.

4. FUTURE ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 - Financial Instruments was issued in November 2009 and covers the classification and measurement of financial assets as part of its project to replace IAS 39 - Financial Instruments: Recognition and Measurement. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entitles would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is applicable for periods beginning on or after January 1, 2018. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2018.

The Company anticipates that the application of the above new and revised standards, amendments and interpretations will have no material impact on its results and financial position. Disclosure changes are anticipated.

5. RECLAMATION BONDS

The reclamation bonds at November 30, 2016 of $120,500 (May 31, 2016 - $120,500) are recorded at fair value and consist of deposits made by the Company for indemnification of site restoration costs for the Silvana Mine, Sandon Mill, and exploration sites located in BC. Reclamation bonds in the amount of $100,000 are held in trust for the Company by a company controlled by a former common director.

(Expressed in Canadian dollars)

6. MILL AND EQUIPMENT

	Costs			
	Mill	**Equipment***	**Land**	**Total**
Balance May 31, 2015	$ 314,800	$ 1,326,995	$ 62,773	$ 1,704,568
Additions, net of disposals	-	(2,700)	-	(2,700)
Balance May 31, 2016	$ 314,800	$ 1,324,295	$ 62,773	$ 1,701,868
Additions, net of disposals	-	-	-	-
Balance November 30, 2016	**$ 314,800**	**$ 1,324,295**	**$ 62,773**	**$ 1,701,868**

	Accumulated Depreciation			
	Mill	**Equipment**	**Land**	**Total**
Balance May 31, 2015	$ 230,486	$ 1,030,855	$ -	$ 1,261,341
Additions, net of disposals **	42,158	30,666	-	72,824
Balance May 31, 2016	$ 272,644	$ 1,061,521	$ -	$ 1,334,165
Additions, net of disposals **	21,078	15,411	-	36,489
Balance November 30, 2016	**$ 293,722**	**$ 1,076,932**	**$ -**	**$ 1,370,654**

	Net Carrying Amount			
	Mill	**Equipment**	**Land**	**Total**
Balance May 31, 2015	$ 84,314	$ 296,140	$ 62,773	$ 443,227
Balance May 31, 2016	$ 42,156	$ 262,774	$ 62,773	$ 367,703
Balance November 30, 2016	**$ 21,078**	**$ 247,363**	**$ 62,773**	**$ 331,214**

*The Company's Rosebery building and land, which had net book values as at November 30, 2016 of $113,658 and $62,773 respectively, are 100% encumbered by a first mortgage. (Note 12)

**The Company capitalizes its mill and related equipment amortization to Exploration & Evaluation Assets (Note 8)

(Expressed in Canadian dollars)

7. EXPLORATION AND EVALUATION ASSETS

For the period ended November 30, 2016:

	Slocan and Sandon BC	Haultain Ontario	Milner Ontario	Total
Acquisition Costs				
Opening balance-acquisition	**$ 691,278**	**$ 1**	**$ 1**	**$ 691,280**
Exploration Costs				
Opening balance-exploration	**9,342,124**	**-**	**-**	**9,342,124**
Amortization	**36,432**	**-**	**-**	**36,432**
Fuel	**8,736**	**-**	**-**	**8,736**
Mapping and sampling	**23,823**	**-**	**-**	**23,823**
Site administration	**8,140**	**-**	**-**	**8,140**
Supplies and maintenance	**18,427**	**-**	**-**	**18,427**
	9,437,682	**-**	**-**	**9,437,682**
Balance, November 30, 2016	**$10,128,960**	**$ 1**	**$ 1**	**$10,128,962**

For the year ended May 31, 2016:

	Slocan and Sandon BC	Haultain Ontario	Milner Ontario	Total
Acquisition Costs				
Opening balance-acquisition	**$ 691,278**	**$ 1**	**$ 1**	**$ 691,280**
Exploration Costs				
Opening balance-exploration	**9,218,372**	**-**	**-**	**9,218,372**
Amortization	**73,135**	**-**	**-**	**73,135**
Fuel	**6,675**	**-**	**-**	**6,675**
Remediation cost	**21,223**	**-**	**-**	**21,223**
Site administration	**18,171**	**-**	**-**	**18,171**
Supplies and maintenance	**4,548**	**-**	**-**	**4,548**
	9,342,124	**-**	**-**	**9,342,124**
Balance, May 31, 2016	**$10,033,402**	**$ 1**	**$ 1**	**$10,033,404**

7. EXPLORATION AND EVALUATION ASSETS (Continued)

British Columbia Properties

a) Slocan and Sandon Group, British Columbia

The Slocan and Sandon Group covers an area of approximately 100 square kilometers. The claims include legacy claims, crown-granted claims and recently acquired or converted mineral claims. Not all claims are contiguous. One claim group is located approximately 7 km northeast of the main claim group and Sandon Mill, while another claim group is 7 km to the southeast.

Ontario Properties

a) Haultain, Ontario

On May 5, 2006, and as amended on May 13, 2009, the Company entered into a property option agreement to earn a 100% interest in a mineral property located in the Haultain Mining Division in Ontario. The agreement provides for a 2% net smelter royalty ("NSR") of which half may be purchased for $1,000,000. In order to earn its 100% interest, the Company must:

i) Pay $80,000 (paid) and issue 15,000 shares (issued);
ii) On or before June 5, 2010, pay $15,000, and issue 3,750 shares.

The Company has neither made the $15,000 payment nor issued 3,750 shares as required under the terms of the option agreement. The option agreement had not been officially terminated, but the Company considers the option agreement to not be in good standing. Therefore, the mineral property spending related to the property was written down by $1,850,764, to a value of $1 at May 31, 2012.

b) Milner Silver, Ontario

On February 5, 2007, and as amended May 13, 2009, the Company entered into two property option agreements to earn a 100% interest in a mineral property located in Milner Township, Ontario. There is a 2% NSR payable, of which half may be purchased for $1,000,000. The Company has earned its 100% interest in one agreement completed on February 25, 2010. The second agreement required payment of $7,000 on or before July 6, 2010. The Company has not made the $7,000 payment. The option agreement had not been officially terminated, but the Company considers the option agreement to not be in good standing. Therefore, the mineral property spending related to the property was written down by $824,637, to a value of $1 at May 31, 2012.

(Expressed in Canadian dollars)

8. ACCRUED LIABILITIES

Accrued liabilities are summarized as follows:

	November 30 2016	May 31 2016
Professional fees	**$ -**	$ 8,500
Constructive obligation (1)	**269,932**	342,267
	$ 269,932	$ 350,767

(1) Based on the BC government's Chief Inspector's orders issued to all companies with tailings ponds, and as directly requested by the Ministry of Energy and Mines, the Company is required to make improvements to the tailings ponds and creek bank prior to reopening the Silvana mine at Sandon, BC. The Company has $269,932 recorded as a constructive obligation, with respect to future improvement costs as at November 30, 2016. This amount is an estimate based on information which has been provided by an independent engineering firm that specializes in geotechnical and environmental consulting and Company estimates.

9. RESTORATION PROVISION

The Company has calculated the fair value of the restoration provision as at November 30, 2016 using a pre-tax discount rate of 5.00% (May 31, 2016 – 5.00%). The estimated total future undiscounted cash flows to settle the restoration provision at November 30, 2016 is $142,500 (May 31, 2016 - $142,500). The Company has estimated that the payments will be made in 2025.

	November 30 2016	May 31 2016
Balance, beginning of the year	**$ 91,838**	$ 87,465
Accretion	**2,296**	4,373
Balance, end of the period	**$ 94,134**	$ 91,838

The components of this obligation are the removal of equipment currently used at the property as well as costs associated with the reclamation of the camp and work sites on the property. It is the Company's intention to continue exploration work on the property until at least the current mineral claim expiry, for which the key ground is currently between December 2018 and December 2023 without extension. The estimate of future asset retirement obligations is subject to change based on amendments to applicable laws, management's intentions, and mineral claim renewals.

The Company may be contingently liable for other decommissioning liabilities. However, such obligations are not recognized since the fair value cannot be reasonably estimated due to the uncertainty of the extent of reclamation and remediation work and the settlement dates.

(Expressed in Canadian dollars)

10. RELATED PARTY BALANCES AND TRANSACTIONS

Due to Related parties balances consisted of the following*:

	November 30 2016	May 31 2016
Due to Directors, Officers and Spouses	$ -	$ 12,204

* Unsecured, non-interest bearing, with no fixed terms of repayment.

Related Party Transactions

The Company entered into the following transactions with related parties. All related party transactions were measured at the amount of consideration established and agreed to by the related parties.

a) The Company paid $42,500 (2015 - $Nil) to one officer and $1,500 (2015 - $Nil) to another officer for services to the Company.

b) Share-based payments of $299,900 were attributable to directors and officers (2015 - $Nil) using the Black-Scholes option pricing model.

c) The Company paid $Nil (2015 - $2,000) to a spouse of a former director and $10,500 (2015 - $3,750) to an officer for rent and parking.

d) The Company paid $7,491 in professional fees (2015 - $Nil) to a company controlled by a director.

11. ADVANCES PAYABLE

Advances payable are due on demand, unsecured, and bear interest at 10% per annum. Advances payable have been cleared with a $7,045 payment by the Company.

12. MORTGAGE PAYABLE

The Company has a first mortgage on the Rosebery property located in Rosebery British Columbia, Canada, in the amount of $145,000. Interest payments of $1,081 calculated at 8.95% per annum are due monthly. The mortgage balance is payable December 1, 2017.

13. SHARE CAPITAL

a) Authorized: Unlimited common shares without par value.

b) During the quarter ended November 30, 2016 the following private placement was completed:

In June 2016, the Company closed a private placement for 20,166,667 non flow-through units at a price of $0.03 for total proceeds of $605,000. All units consisted of one common share and one share purchase warrant entitling the holder to purchase one additional common share for four years, at a price of $0.05 per share. The Company paid finders fees of $54,300 relating to this private placement.

(Expressed in Canadian dollars)

13. SHARE CAPITAL (Continued)

c) During the year ended May 31, 2016 the following private placements were completed:

In September 2015, the Company closed a private placement for 14,430,000 non flow-through units at a price of $0.025 for total proceeds of $360,750. All units consisted of one common share and one share purchase warrant entitling the holder to purchase one additional common share for four years, at a price of $0.07 per share. A former director and the spouse of a former director of the Company participated in this private placement by purchasing a total of 8,720,000 units.

In November 2015, the Company closed a private placement for 4,900,000 non flow-through units at a price of $0.025 for total proceeds of $122,500. All units consisted of one common share and one share purchase warrant entitling the holder to purchase one additional common share for four years, at a price of $0.07 per share. A former director and the spouse of a former director of the Company participated in this private placement by purchasing a total of 2,900,000 units.

d) Warrants

A summary of the changes in warrants follows:

	NUMBER OF WARRANTS OUTSTANDING	WEIGHTED AVERAGE EXERCISE PRICE
Balance, May 31, 2015	32,080,146	0.16
Issued	19,330,000	0.07
Expired/Cancelled	(3,984,200)	0.47
Balance, May 31, 2015	47,425,946	0.10
Issued	20,166,667	0.05
Exercised	(295,500)	0.07
Expired	(3,413,000)	0.30
Balance, November 30, 2016	**63,884,113**	**$ 0.07**

As at November 30, 2016, the following share purchase warrants were outstanding:

TOTAL NUMBER OF WARRANTS	EXERCISE PRICES	EXPIRY DATES
40,000	$ 0.20	May 9, 2017
4,455,000	$ 0.15	May 9, 2017
1,043,660	$ 0.15	June13, 2017
2,020,000	$ 0.07	December 17, 2017
8,391,286	$ 0.07	January 30, 2018
6,100,000	$ 0.07	April 30, 2018
2,590,000	$ 0.07	June 1, 2018
14,177,500	$ 0.07	September 24, 2019
4,900,000	$ 0.07	November 16, 2019
20,166,667	$ 0.05	June 2, 2020
63,884,113		

13. SHARE CAPITAL (Continued)

d) Warrants (Continued)

As at November 30, 2016 the weighted average remaining contractual life of the share purchase warrants was 2.38 years (November 30, 2015 – 2.67 years) and the weighted average exercise price was $0.07 (November 30, 2015 - $0.10).

e) Stock Options

The Company has a stock option plan that provides for the issuance of options to its directors, officers, employees and consultants. The maximum number of outstanding options must be no more than 10% of the issued and outstanding shares at any point in time

On July 14, 2016 the Company granted 2,150,000 incentive stock options, to a director exercisable for a period of five years at a price of $0.10. The fair value of stock based compensation options granted was estimated on the date of grant in the amount of $184,900 using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.10; ii) expected share price volatility of 151%; iii) risk free interest rate of 0.61%; iv) no dividend yield, v) expected life of 5 years and vi) fully vested on grant.

On July 14, 2016 the Company granted 500,000 incentive stock options to an Investor Relations firm, exercisable for a period of two years, at a price of $0.10. The fair value of stock based compensation options granted was estimated on the date of grant in the amount of $38,000 using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.10; ii) expected share price volatility of 184%; iii) risk free interest rate of 0.54%; iv) no dividend yield, v) expected life of 2 years and vi) vesting quarterly over one year.

On June 22, 2016 the Company granted 2,925,000 incentive stock options, with 2,500,000 issued to directors and officers of the Company and 425,000 to employees, all exercisable for a period of five years, all at a price of $0.05. The fair value of all stock based compensation options granted was estimated on the date of grant in the amount of $134,500 using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.05; ii) expected share price volatility of 151%; iii) risk free interest rate of 0.70%; iv) no dividend yield, v) expected life of 5 years and vi) fully vested on grant.

On June 30, 2014, the Company granted 350,000 incentive stock options to directors and officers of the Company and 500,000 to employees at a price of $0.07. The fair value of all stock based compensation options granted was estimated on the date of grant in the amount of $46,800 using the Black-Scholes valuation model with the following assumptions i) exercise price per share of $0.07; ii) expected share price volatility of 109%; iii) risk free interest rate of 1.60%; iv) no dividend yield and v) expected life of 5 years vi) fully vested on grant.

(Expressed in Canadian dollars)

13. SHARE CAPITAL (Continued)

e) Stock Options (continued)

The following is a summary of the changes in stock options:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding and exercisable at May 31, 2015	3,250,000	$ 0.09
Options cancelled	(550,000)	0.08
Outstanding and exercisable at May 31, 2016	2,700,000	0.08
Options granted	5,925,000	0.08
Options exercised	(400,000)	0.07
Options expired	(900,000)	0.08
Outstanding and exercisable at November 30, 2016	**7,325,000**	**$ 0.08**

As at November 30, 2016 the following stock options were outstanding and exercisable:

NUMBER OF OPTIONS OUTSTANDING	EXERCISE PRICES	EXPIRY DATES
700,000	$ 0.10	May 8, 2018
75,000	$ 0.10	July 2, 2018
500,000	$ 0.10	July 14, 2018
350,000	$ 0.105	August 31, 2018
425,000	$ 0.065	April 12, 2019
200,000	$ 0.07	June 29, 2019
2,925,000	$ 0.05	June 21, 2021
2,150,000	$ 0.10	July 13, 2021
7,325,000		

As at November 30, 2016 the weighted average remaining contractual life of the stock options was 3.73 years (November 30, 2015 – 3.03 years) and the weighted average exercise price was $0.08 (November 30, 2015 – $0.08).

f) Nature and Purpose of Reserves

The reserves recorded in equity on the Company's statement of financial position from time to time will include "Contributed Surplus", "Warrant Reserve", and "Share-based Payment Reserve".

- "Contributed Surplus" recognizes amounts contributed to the Company shareholders either by way of direct contribution of cash or assets to the Company or delivery of assets to the Company having a fair value in excess of consideration paid by the Company.
- "Warrant Reserve" is used to recognize the fair value of share warrants prior to exercise or expiry.
- "Share-based Payment Reserve" is used to recognize the fair value of stock option grants prior to exercise, expiry or cancellation and the fair value of other share-based consideration paid at the date of payment.

(Expressed in Canadian dollars)

14. MANAGEMENT OF CAPITAL

The Company manages its cash, common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business.

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 debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. In order to maximize exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account.

There were no changes in the Company's approach to capital management during the quarter ended November 30, 2016. The Company is not subject to externally imposed capital requirements.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at November 30, 2016, the classification of the financial instruments, as well as their carrying values and fair values, are shown in the table below:

	LEVEL	FVTPL	LOANS AND RECEIVABLES/ AMORTIZED COST	TOTAL CARRYING VALUE	FAIR VALUE
Financial assets					
Cash	1	$ 45,308	$ -	$ 45,308	$ 45,308
Reclamation bonds	2	120,500	-	120,500	120,500
Receivables (a)	2	-	6,587	6,587	6,587
		$ 165,808	$ 6,587	$ 172,395	$ 172,395
Financial liabilities					
Accounts payable and accrued liabilities (a)	2	$ -	$ (385,072)	$ (385,072)	$ (385,072)
Mortgage payable (a)	2	-	(145,000)	(145,000)	(145,000)
		$ -	$ (530,072)	$ (530,072)	$ (530,072)

(a) Fair value approximates the carrying amounts due to the short-term nature.

The carrying values of the Company's financial liabilities were a reasonable approximation of fair value.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The Company is exposed to potential loss from various risks including commodity price risk, interest rate risk, currency risk, credit risk and liquidity risk. Based on the Company's operations the liquidity risk and commodity price risk are considered the most significant.

a) Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risk associated with fluctuations in the market prices of base and precious metals including gold, silver, zinc and lead, and the outlook for these metals. The Company does not have any hedging or other derivative contracts respecting its operations.

Market prices for metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk, as the nature of Company's business is in exploration.

b) Liquidity Risk

The liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk through careful management of its financial obligations in relation to its cash position. Using budgeting processes the Company manages its liquidity requirements based on expected cash flow to ensure there are adequate funds to meet the short term obligations during the period.

In the past the Company has been able to maintain its liquidity position through private placements. However, the variable market conditions make it uncertain whether the Company can continue to raise adequate funds to meet its financial obligations.

17. SUBSEQUENT EVENTS

a) On December 20, 2016 the Company granted 350,000 incentive stock options to consultants exercisable for a period of five years at a price of $0.055. The fair value of these stock based compensation options granted was estimated on the date of grant in the amount of $17,500 using the Black-Scholes valuation model with the following assumptions: i) exercise price per share of $0.055; ii) expected share price volatility of 153%; iii) risk free interest rate of 1.20%; iv) no dividend yield, v) expected life of 5 years and vi) fully vested on grant.

b) On January 17 and January 19, 2017 the Company announced a private placement for a total of $1,300,000. The terms of the initial $1,000,000 (class A units) are as follows: 20,000,000 units at a price of $0.05 per unit. All class A units will consist of one common share and one non-transferable share purchase warrant, with each warrant exercisable for a period of five years from the closing at a price of $0.05 per share. The terms of the additional $300,000 (class B units) are as follows: 6,000,000 units at a price of $0.05 per unit. A portion of the class B units will be flow-through. All class B units (flow-through or non flow-through) will consist of one common share and one non flow-through, non-transferable share purchase warrant, with each warrant exercisable for a period of five years from the closing at a price of $0.055 per share. All units are subject to a four-month hold period from the date of issuance. Commissions may be paid on a portion of the funds raised.