TREASURY METALS

INCORPORATED

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

JUNE 30, 2017 AND 2016

(Expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying interim condensed consolidated financial statements of Treasury Metals Inc. were prepared by management in accordance with International Financial Reporting Standards. The most significant of these standards have been set out in the Note 2 of these interim condensed consolidated financial statements. Any applicable changes in accounting policies have also been disclosed in these financial statements. Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

The Board of Directors is responsible for ensuring management fulfills its financial reporting responsibilities and for reviewing and approving the financial statements together with other financial information. The Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process and the year end 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 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.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate control over its financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting based on "Internal Control Over Financial Reporting Guidance for Smaller Public Companies" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as at June 30, 2017.

CONCLUSION RELATING TO DISCLOSURE CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of management, including the Chief Executive and Chief Financial Officers, of the effectiveness of the Company's disclosure controls and procedures as defined in the National Instrument 52-109. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of the Company's disclosure controls and procedures were effective as at June 30, 2017.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

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

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

TREASURY METALS INC.
INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
(EXPRESSED IN CANADIAN DOLLARS)

	June 30, 2017	December 31, 2016
Assets		
Current Assets		
Cash and cash equivalents (Note 4)	**$ 4,232,359**	$ 2,857,583
Accounts receivable and prepaid expenses (Note 5)	**825,964**	860,697
	5,058,323	3,718,280
Investments (Note 6)	**349,052**	279,655
Property and equipment (Note 7)	**2,360,127**	2,368,818
Mineral properties and related deferred costs (Note 8)	**68,551,003**	65,366,680
	$ 76,318,505	$ 71,733,433
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 10) & (Note 15)	**$ 1,412,852**	$ 2,671,576
Current portion of long-term debt (Note 11)	**148,322**	4,902,108
Derivative liability (Note 11)	**1,784,482**	887,000
Unrenounced flow-through share premium (Note 12) & (Note 17)	**-**	753,295
	3,345,656	9,213,979
Long-term debt (Note 11)	**4,257,004**	4,830,651
Deferred tax liability	**2,612,123**	2,412,500
	10,214,783	16,457,130
Shareholders' Equity		
Capital stock (Note 12)	**83,673,673**	76,917,364
Contributed surplus (Note 13) & (Note 14)	**7,578,723**	6,101,553
Deficit	**(25,110,484)**	(22,981,182)
Accumulated other comprehensive loss	**(38,190)**	(810)
	66,103,722	60,036,925
	$ 76,318,505	$ 76,494,055

Nature of Operations and Going Concern (Note 1)
Commitments and Contractual Obligations (Note 17)

SIGNED ON BEHALF OF THE BOARD

(Signed) *"Doug Bache"*
Director

(Signed) *"Marc Henderson"*
Director

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

TREASURY METALS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(EXPRESSED IN CANADIAN DOLLARS)

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Income				
Other income	**-**	$ 2,288	**$ 360**	$ 3,545
Unrealized gain on FVTPL investments	**-**	-	**51,498**	-
	-	2,288	**51,858**	3,545
Expenses				
Administrative, office and shareholder services	**$ 398,663**	$ 269,879	**$ 623,420**	$ 414,163
Professional fees	**517,792**	53,561	**529,792**	81,642
Salary and benefits	**179,000**	393,065	**368,089**	534,174
Stock-based compensation (Note 14)	**38,403**	19,050	**82,004**	57,027
Amortization of long-term debt transaction costs (Note 11)	**211,615**	181,594	**695,227**	320,296
Interest and commitment fees	**250,486**	235,757	**401,488**	343,668
Foreign exchange gain	**(50,678)**	28,541	**(163,462)**	28,541
Write-off of investments (Note 6)	**-**	-	**-**	29,084
Fair value change in derivative liability (Note 11)	**(289,260)**	-	**198,273**	-
	1,256,021	1,181,447	**2,734,831**	1,808,595
Loss before income taxes	**(1,256,021)**	(1,179,159)	**(2,682,973)**	(1,805,050)
Deferred income tax recovery	**-**	-	**553,671**	(83,536)
Net loss for the period	**$ (1,256,021)**	$ (1,179,159)	**$ (2,129,302)**	$ (1,888,586)
Loss per share - basic	**$ (0.01)**	$ (0.01)	**$ (0.02)**	$ (0.02)
Weighted average number of shares outstanding	**110,409,505**	87,352,351	**106,930,827**	85,421,552

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

TREASURY METALS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Net loss for the period	**$ (1,256,021)**	$ (1,179,159)	**$ (2,129,302)**	$ (1,888,586)
Other comprehensive income (loss)				
Items that may be reclassified subsequently to net income (loss)				
Unrealized gain (loss) on available for sale investments, net of taxes	**(143,175)**	22,644	**(37,380)**	18,888
Reclassification of realized loss and write-off on available for sale investments to income	**-**	-	**-**	29,084
Other comprehensive income (loss) for the period	**(143,175)**	22,644	**(37,380)**	47,972
Total comprehensive loss for the period	**$ (1,399,196)**	$ (1,156,515)	**$ (2,166,682)**	$ (1,840,614)

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

TREASURY METALS INC.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(EXPRESSED IN CANADIAN DOLLARS)

	Common Shares	Capital Stock	Equity Component of Convertible Debt	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, January 1, 2016	**82,274,761**	**$ 66,784,052**	**$ -**	**$ 4,994,160**	**$ (19,805,404)**	**$ (26,665)**	**$ 51,946,143**
Shares issued for cash in private placements	9,351,905	4,353,700	-	-	-	-	4,353,700
Share issue costs	-	(382,488)	-	-	-	-	(382,488)
Issuance of compensation options	-	(60,000)	-	60,000	-	-	-
Issuance of warrants (Note 12)	-	(785,511)	-	785,511	-	-	-
Stock options exercised	370,000	185,000	-	-	-	-	185,000
Fair value of contributed surplus transferred on exercised options	-	52,787	-	(52,787)	-	-	-
Shares issued with respect to term loan	220,000	121,000	-	-	-	-	121,000
Convertible debt	-	-	58,892	-	-	-	58,892
Warrants issued with respect to term loan	-	-	-	50,812	-	-	50,812
Fair value adjustment of warrants	-	-	-	270,810	-	-	270,810
Stock-based compensation	-	-	-	74,573	-	-	74,573
Net loss for the period	-	-	-	-	(1,888,586)	-	(1,888,586)
Other comprehensive loss	-	-	-	-	-	47,972	47,972
Balance, June 30, 2016	**92,216,666**	**$ 70,268,540**	**$ 58,892**	**$ 6,183,079**	**$ (21,693,990)**	**$ 21,307**	**$ 54,837,828**
Flow through private placements (Note 12)	3,587,117	2,618,595	-	-	-	-	2,618,595
Share issue costs (Note 12)	-	(139,207)	-	-	-	-	(139,207)
Issuance of warrants	-	140,528	-	(140,528)	-	-	-
Stock options exercised (Note 14)	2,245,741	1,134,255	-	-	-	-	1,134,255
Fair value of contributed surplus transferred on exercised options	-	410,278	-	(410,278)	-	-	-
Convertible debt	-	-	(58,892)	50,812	-	-	(8,080)
Warrants issued with respect to term loan	-	-	-	481,688	-	-	481,688
Fair value adjustment of warrants	-	-	-	(761,682)	-	-	(761,682)
Issued with respect to business acquisition	5,058,859	3,237,670	-	40,665	-	-	3,278,335
Unrenounced flow-through shares premium	-	(753,295)	-	-	-	-	(753,295)
Stock-based compensation	-	-	-	657,797	-	-	657,797
Net loss for the period	-	-	-	-	(1,287,192)	-	(1,287,192)
Other comprehensive loss	-	-	-	-	-	(22,117)	(22,117)
Balance, December 31, 2016	**103,108,383**	**$ 76,917,364**	**$ -**	**$ 6,101,553**	**$ (22,981,182)**	**$ (810)**	**$ 60,036,925**

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

TREASURY METALS INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)
(EXPRESSED IN CANADIAN DOLLARS)

	Common Shares	Capital Stock	Equity Component of Convertible Debt	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2016	**103,108,383**	**$ 76,917,364**	**$ -**	**$ 6,101,553**	**$ (22,981,182)**	**$ (810)**	**$ 60,036,925**
Shares issued for cash in private placements	12,400,000	8,060,000	-	-	-	-	8,060,000
Share issue cash costs	-	(675,001)	-	-	-	-	(675,001)
Issuance of warrants (Note 12)	-	(1,215,956)	-	1,215,956	-	-	-
Stock options and warrants exercised (Note 13) & (Note 14)	1,076,465	442,170	-	-	-	-	442,170
Fair value of stock options and warrants exercised (Note 13) & (Note 14)	-	145,096	-	(145,096)	-	-	-
Warrants issued with respect to term loan	-	-	-	279,954	-	-	279,954
Unrenounced flow-through shares premium	-	-	-	-	-	-	279,954
Stock-based compensation	-	-	-	126,356	-	-	126,356
Net loss for the period	-	-	-	-	(2,129,302)	-	(2,129,302)
Other comprehensive income	-	-	-	-	-	(37,380)	(37,380)
Balance, June 30, 2017	**116,584,848**	**$ 83,673,673**	**$ -**	**$ 7,578,723**	**$ (25,110,484)**	**$ (38,190)**	**$ 66,103,722**

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

TREASURY METALS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Cash and cash equivalents (used in) provided by:				
Operating Activities				
Net loss for the period	**$ (1,256,021)**	$(1,179,159)	**$ (2,129,302)**	$ (1,888,586)
Adjustments for:				
Unrealized gain on FVTPL investments (Note 6)	**-**	-	**(51,498)**	-
Deferred income tax recovery	**-**	-	**(553,671)**	83,536
Stock-based compensation	**38,403**	19,050	**82,004**	57,027
Write-down of available for sale investments(Note 6)	**-**	-	**-**	29,084
Amortization of long-term debt transaction costs (Note 11)	**211,615**	181,594	**695,227**	320,296
Fair value change in derivative liability	**(289,260)**	-	**198,273**	-
Foreign exchange on long-term debt (Note 11)	**(15,946)**	-	**(120,985)**	-
	(1,311,209)	(978,515)	**(1,879,952)**	(1,398,643)
Net change in non-cash working capital items:				
Accounts receivable and prepaid expenses	**147,628**	(31,065)	**(65,267)**	108,630
Accounts payable and accrued liabilities	**(1,544,628)**	(334,110)	**(1,154,209)**	(522,657)
	(2,708,209)	(1,343,690)	**(3,099,428)**	(1,812,670)
Financing Activities				
Private placements, net of issue costs (Note 12)	**7,384,999**	3,649,649	**7,384,999**	3,971,212
Proceeds from short-term loan (Note 11)	**-**	5,311,135	**533,139**	5,311,135
Repayment of short-term loan and interest	**(545,656)**	-	**(545,656)**	-
Proceeds from related parties short-term loans (Note 11) & (Note 15)	**-**	90,000	**-**	190,000
Long-term debt repayments (Note 11)	**(9,440)**	(5,241,661)	**(14,765)**	(5,246,674)
Stock options and warrants exercised	**90,888**	185,000	**442,170**	185,000
Cash transaction costs of long-term debt (Note 11)	**(138,149)**	-	**(138,149)**	-
	6,782,642	3,994,123	**7,661,738**	4,410,673
Investing Activities				
Purchase of investments	**(55,280)**	(15,300)	**(55,280)**	(15,300)
Acquisition of property and equipment	**(3,903)**	(7,338)	**(14,972)**	(7,338)
Acquisition of mineral properties and related deferred costs	**(933,401)**	(194,225)	**(3,117,282)**	(424,903)
	(992,584)	(216,863)	**(3,187,534)**	(447,541)
Change in cash and cash equivalents	**3,081,849**	2,433,570	**1,374,776**	2,150,462
Cash and cash equivalents, beginning of the period	**1,150,510**	62,014	**2,857,583**	345,122
Cash and cash equivalents, end of the period (Note 4)	**$ 4,232,359**	$ 2,495,584	**$ 4,232,359**	$ 2,495,584

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

TREASURY METALS INC.
INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(EXPRESSED IN CANADIAN DOLLARS)

	Three Months Ended June 30		Six Months Ended June 30	
	2017	2016	**2017**	2016
Supplementary cash flow information				
Changes in non-cash activities:				
Stock-based compensation capitalized to mineral properties and related deferred costs (Note 14)	**$ 38,403**	$ 7,003	**$ 44,352**	$ 17,546
Amortization capitalized to mineral properties and related deferred costs	**$ 12,770**	$ 8,013	**$ 23,663**	$ 25,395

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Treasury Metals Inc. (the "Company" or "Treasury Metals") is incorporated under the laws of Ontario and listed on the Toronto Stock Exchange under the symbol "TML". The address of the Company's registered office is 130 King Street West, Suite 3680, Toronto, Ontario, Canada. The mineral properties of Treasury Metals are all located in Canada and are in the exploration stage and, on the basis of information to date, do not yet have economically recoverable reserves. The recoverability of the amounts shown on the balance sheets for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, maintaining beneficial interest in its properties and the underlying mining claims, obtaining the necessary regulatory approvals and permits, the ability to obtain the necessary financing to fulfill its obligations as they arise, the ability to complete the development of the claims, and achieving profitable production or the proceeds from the disposition of the properties. The Company's success depends on the successful development of the properties and corresponding permitting and feasibility study. Based upon its current operating and financial plans, management of the Company believes that it will have sufficient access to financial resources (debt and equity) to fund the Company's planned operations and development of the Goliath Gold Project.

At June 30, 2017, the Company had a working capital of $3,497,149 excluding the non-cash unrenounced flow–through share premium liability and the derivative liability (December 31, 2016 – deficiency of $4,742,404), had cash outflow from operations of $3,099,428 (2016 - $1,812,670) not yet achieved profitable operations, had accumulated losses of $25,110,484 (December 31, 2016 - $22,981,182) and expects to incur further losses in the development of its business, all of which casts significant doubt upon the Company's ability to continue as a going concern.

On August 10, 2017, the Board of Directors approved the interim condensed consolidated financial statements for the periods ended June 30, 2017 and 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* and do not include all of the information required for full annual financial statements by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

These interim condensed financial statements should be read in conjuction with the Company's audited consolidated financial statements for the year ended December 31, 2016 which includes the information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies are presented as Note 2 in the audited consolidated financial statements for the year ended December 31, 2016, and have been consistently applied in the preparation of these interim condensed consolidated financial statements.

Principles of Consolidation

The interim condensed consolidated financial statements include all entities over which the Company has control. For accounting purposes, control is established by an investor when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are no longer consolidated on the date control ceases.

The interim condensed consolidated financial statements include the accounts of the Company and its wholly owned Canadian subsidiaries Goldeye Explorations Ltd. and Silvereye Explorations Ltd.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the interim condensed consolidated financial statements.

Basis of Preparation

These interim condensed consolidated financial statements are presented in Canadian dollars which is also the functional currency of the Company and its wholly owned Canadian subsidiaries.

The financial statements are prepared on the historical cost basis except for financial instruments which are measured at their fair value, as explained in the accounting policies set out in this note.

The accounting policies set out below have been applied consistently to the years presented in the interim condensed consolidated financial statements.

Foreign Currency Translation

Foreign currency transactions are initially recorded into the functional currency at the transaction date exchange rate. At year end, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the balance sheet date's exchange rate and non-monetary assets and liabilities at the historical rate. These foreign currency adjustments are recognized in net loss of the consolidated statement of operations.

3. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in compliance with IFRS requires the Company’s management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company’s assets, liabilities, equity or earnings. These estimates and assumptions notably relate to the following items:

Impairment in mineral properties and related deferred costs - Management uses significant judgment in determining whether there is any indication that mineral properties and related deferred costs may be impaired.

Measurement of impairment in available-for-sale financial assets - The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statements of operations. The impairment loss recognized in the statements of operations is a reclassification of unrealized losses resulting from decline in fair value previously recorded in other comprehensive loss.

Significant or prolonged decline is defined by management as a decline in fair value of at least 50% below original cost or a decline in fair value below original cost for at least 24 months.

Acquisition method accounting - in the acquisition of Goldeye Explorations Ltd. ("Goldeye"), significant judgement was required to determine if that transaction represented a business combination or an asset purchase. More specifically, management concluded that Goldeye Explorations Ltd. did not represent a business, as the assets acquired were not an integrated set of activities with inputs, processes and outputs. Since it was concluded that the acquisition represented the purchase of assets, there was no goodwill generated on the transaction and acquisition costs were capitalized to the assets purchased rather than expensed.

(EXPRESSED IN CANADIAN DOLLARS)

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Stock-based compensation and warrants - The Company generally utilizes the Black-Scholes option pricing model to determine the fair values of the stock-based payments and warrants. The Company uses significant judgement in the evaluation of the input variables in the Black-Scholes calculation which includes: risk free interest rate, expected stock price volatility, expected life, expected dividend yield.

Flow-through shares – The Company may issue flow through shares to fund a portion of its capital expenditure program. Pursuant to the terms of the flow through share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. The difference between the value ascribed to flow through shares issued and the value that would have been received for common shares with no tax attributes is initially recognized as a liability. When the expenditures are incurred, the liability is drawn down, a deferred tax liability is recorded equal to the estimated amount of deferred income tax payable by the Company as a result of the renunciation and the difference is recognized as a deferred tax expense.

Deferred income taxes - In assessing the probability of realizing deferred income taxes, the Company makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, the Company gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred taxes. The Company reassesses unrecognized income tax at each reporting period.

Going Concern - The Company applies judgment in assessing whether material uncertainties exist that would cause doubt as to whether the Company could continue as a going concern.

4. CASH AND CASH EQUIVALENTS

The balances are comprised as follows:

	June 30, 2017	December 31, 2016
Cash	**$ 3,770,359**	$ 1,610,427
Funds in trust (i)	**417,000**	1,202,156
Cashable GIC	**45,000**	45,000
	$ 4,232,359	$ 2,857,583

(i) This account corresponds to the funds held by the trustee regarding the private placements closed on May 15, 2017 and December 21, 2016, respectively.

(EXPRESSED IN CANADIAN DOLLARS)

5. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

The balances are comprised as follows:

		June 30, 2017		December 31, 2016
Prepaid expenses and advances	**$**	**451,004**	$	532,493
Harmonized sales tax		**374,960**		285,509
Due from Laramide Resources Ltd. (Note 15)		**-**		23,341
Due from Forrester Metals Inc. (Note 15)		**-**		19,354
	$	**825,964**	$	860,697

6. INVESTMENTS

The Company's investments in shares are classified as available for sale ("AFS") and the warrants are classified as fair value through profit and loss ("FVTPL") investments, both are carried at fair value. The balance is comprised of the following:

	Number of Shares	**June 30, 2017**	Number of Shares	December 31, 2016
Forrester Metals Inc. - Shares (i)	**-**	**$ -**	1,930,600	$ 106,348
Zinc One Resources Inc. - Shares (i)	**552,036**	**242,896**	-	-
Goldgroup Mining Inc. - Shares	**377,775**	**32,111**	377,775	47,222
Millrock Resources Inc. - Shares	**217,778**	**74,045**	217,778	102,356
Total AFS investments		**349,052**		255,926
Forrester Metals Inc. - Warrants	**-**	**-**	1,105,600	23,729
Total FVTPL investments	**-**	**-**	-	23,729
Total Investments		**$ 349,052**		$ 279,655

(i) In June 2017, Zinc One Resources Inc. ("Zinc One") acquired alll of the issued and outstanding shares of Forrester Metals Inc. ("Forrester"); as a result of this transaction each shareholder of Forrester received one share of Zinc One for every 5.5 shares of Forrester. The Company had 3,036,200 shares of Forrester at the date of the transaction and exchanged them for 552,036 shares of Zinc One.

7. PROPERTY AND EQUIPMENT

Cost	Land	Building	Furniture and equipment	Vehicles	Total
At January 1, 2017	$1,456,092	$1,061,062	$ 147,075	$ 125,107	$2,789,336
Additions	-	-	14,972	-	14,972
At June 30, 2017	$1,456,092	$1,061,062	$ 162,047	$ 125,107	$2,804,308
Accumulated amortization					
At January 1, 2017	$ -	$ (197,624)	$ (97,787)	$ (125,107)	$ (420,518)
Amortization for the period	-	(17,268)	(6,395)	-	(23,663)
At June 30, 2017	$ -	$ (214,892)	$(104,182)	$ (125,107)	$ (444,181)
Net book value at June 30, 2016	**$1,456,092**	**$ 846,170**	**$ 57,865**	**$ -**	**$2,360,127**

(EXPRESSED IN CANADIAN DOLLARS)

7. PROPERTY AND EQUIPMENT (Continued)

Cost	Land	Building	Furniture and equipment	Vehicles	Total
At January 1, 2016	$ 1,456,092	$ 1,061,062	$ 97,344	$ 125,107	$ 2,739,605
Additions	-	-	49,731	-	49,731
At December 31, 2016	$ 1,456,092	$ 1,061,062	$ 147,075	$ 125,107	$ 2,789,336
Accumulated amortization					
At January 1, 2016	$ -	$ (161,648)	$ (54,630)	$ (121,966)	$ (338,244)
Amortization for the period	-	(35,976)	(43,157)	(3,141)	(82,274)
At December 31, 2016	$ -	$ (197,624)	$ (97,787)	$ (125,107)	$ (420,518)
Net book value at December 31, 2016	$ 1,456,092	$ 863,438	$ 49,288	$ -	$ 2,368,818

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS

As of June 30, 2017 and December 31, 2016, the accumulated costs with respect to the Company's interest in mineral properties, consisted of the following:

	Balance January 1, 2017	Additions	**Balance June 30, 2017**
Goliath Gold Project	$ 60,710,377	$ 3,140,979	**$ 63,851,356**
Weebigee Project	3,990,179	43,344	**4,033,523**
Lara Polymetallic Project - BC	666,124	-	**666,124**
	$ 65,366,680	$ 3,184,323	**$ 68,551,003**

	Balance January 1, 2016	Additions/ (Write-off)	Balance December 31, 2016
Goliath Gold Project	$ 57,720,987	$ 2,989,390	$ 60,710,377
Weebigee Project	-	3,990,179	3,990,179
Lara Polymetallic Project - BC	505,686	160,438	666,124
	$ 58,226,673	$ 7,140,007	$ 65,366,680

Goliath Gold Project

The Goliath Gold Project is located in the Kenora Mining Division in north-western Ontario, 20 km east of the City of Dryden and 325 km northwest of the port City of Thunder Bay.

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

The Goliath Gold Project consists of 126 contiguous unpatented mining claims (238 units) and 23 patented land parcels. The Company converted 11 mining claims into 3 mining leases during the period resulting in the decrease of the mining claims from 137 to 126. The total area of the project is approximately 5,049 hectares (~50 km^2) covering portions of Hartman and Zealand townships. The project comprises three historic properties which are now consolidated into one property: the larger Thunder Lake Property, purchased from Teck Resources (“Teck”) and Corona Gold Corporation (“Corona”) and the Laramide Property, transferred to the Company from Laramide Resources Ltd. ("Laramide"). The project area has been expanded from its original size through additional claim staking and land purchases/options. Certain underlying royalties and payment obligations remain on 13 of the 23 patented land parcels totaling approximately $105,000 per year.

On October 21, 2014, the Company filed its Environmental Impact Statement ("EIS") with the Canadian Environmental Assessment Agency ("CEAA") and on April 25, 2015, the CEAA confirmed that the EIS conforms to its guidelines. As a result, the Project moved into the public comment period and technical reviews by various federal agencies.

On June 30, 2015, CEAA submitted a series of Information Requests and comments back to the Company as part of their technical review process of the EIS. The Company has reviewed the requests and comments and is working to compile replies to these Information Requests.

In 2016, the Company was engaged in a drilling program to convert the underground "Inferred" category resources to the "Indicated" category within the main resource area. At December 31, 2016 a 12,000 metre drilling was completed. At the same time, the Company continued to work on the Information Request responses, as part of the Federal Government of Canada’s Environmental Impact Statement (“EIS”) review. Work continued on updating the Preliminary Economic Assessment ("PEA") which was subsequently completed and the results announced in March 2017.

The Goliath Gold Project comprises three underlying properties: the Laramide Property, Thunder Lake Property and the Brisson Property.

Laramide Property, Ontario

In 2007, the Company acquired from Laramide Resources Ltd., a related party company, a 100% interest in certain parcels of land, including surface and mineral rights totaling 411 acres in 3 patented land parcels, located in Zealand Township near Dryden, Ontario (collectively the “Laramide Property”). This interest is subject to a 2.0 - 2.5% net smelter returns ("NSR") retained by the owners.

Thunder Lake Property, Ontario

In 2007, the Company and Laramide Resources Ltd. finalized and signed an agreement pursuant to which, Treasury Metals purchased 100% of Corona’s and Teck’s respective interests in the Thunder Lake West, Thunder Lake East and certain adjacent properties in and around Dryden, Ontario (collectively the “Thunder Lake Property”).

Brisson Property, Ontario

In December 2009, the Company acquired a 100% interest in certain parcels of land in the District of Kenora. Under the terms of the agreement, the Company made option payments totaling $100,000 and issued common shares of the Company equal to $100,000 based on the market price at the date of issue.

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

Lara Polymetallic Project, British Columbia

In 2007, the Company acquired from Laramide Resources Ltd. a 100% interest in the Lara Property located in the Victoria Mining Division, near Chemainus on southern Vancouver Island, British Columbia. The Lara Polymetallic Project comprises 59 mineral claims covering approximately 6,392 hectares (~64 km^2) at June 30, 2017.

The Company is committed to a 1.0% NSR, held by Argus Metals Corp. (formerly Bluerock Resources Ltd) on 8 of the mineral claims, historically known as the Chemainus claims, located on Vancouver Island.

In early 2011 the annual mining leases on a significant portion of the property were not renewed. As a consequence, the estimated non-recoverable costs associated with this project were written off in 2010. In the year 2011, the Company renewed the mining leases of the most significant areas of this property and, therefore, it now owns the mining rights on these properties. There has no been any significant work done on the property since then.

Goldeye Explorations

On November 24, 2016, the Company closed the acquisition of all of the issued and outstanding common shares of Goldeye Explorations Limited ("Goldeye") a public company that holds certain properties. The details of the acquisition are disclosed in Note 9.

The Company acquired the following projects from Goldeye:

- Weebigee Project
- Van Hise Project – Larder Lake Mining Division, Ontario.

All of the consideration in Note 9 has been allocated to the Weebigee Project. The Company currently plans to maintain the other properties but has not budgeted for significant exploration on those properties.

Weebigee Project

The Weebigee Project is located near Sandy Lake, north of Red Lake in Northwestern Ontario. The Company holds a 100% interest in the property, which comprises 225 claims. Certain claims are subject to a 2% NSR that is held by a former director of Goldeye. On November 12, 2013, the Company entered into an exploration agreement with Sandy Lake First Nations (“SLFN”) with respect to the Company’s exploration of the Weebigee Project. This exploration agreement was renewed for a two-year period on the same terms commencing on November 12, 2014. This agreement was renewed on the same terms for a further two-year period. All claims are in good standing until 2017 or later.

8. MINERAL PROPERTIES AND RELATED DEFERRED COSTS (Continued)

On April 15, 2015, Goldeye entered into an option agreement (the “GPM Option Agreement”) with GPM Metals Inc. (“GPM”) whereby GPM has an option to earn a 50.1% interest in the Weebigee Project by paying a total of $550,000 in cash ($50,000 and $100,000 received in 2015 and 2016, respectively) and $25,000 in shares (issued in 2015) to Goldeye over a period of three years. GPM must also complete a minimum of $5,000,000 in exploration expenditures over a four-year term. In addition, if the first option is exercised, GPM will have the option to earn an additional 19.9% interest by either funding a bankable feasibility study, or at GPM’s option, paying Goldeye an additional $1,500,000 in cash and completing a minimum additional $3,000,000 in exploration expenditures over the next two years. This option agreement is subject to the terms of the exploration agreement signed between Goldeye and SLFN on November 12, 2013. Subsequent to the GPM Option Agreement, GPM with support and assistance from Goldeye, staked additional claim units (the “Additional Interest”) at Weebigee. On September 3, 2015, Goldeye elected, pursuant to the GPM Option Agreement to have the Additional Interest included as part of the Weebigee property. In April 2016, Goldeye tendered to GPM the amount required to pay for its share of the costs for 50% of the Additional Interest but GPM refused to accept the payment on the purported ground that Goldeye had forfeited its rights to the Additional Interest due to untimely payment of such amount. The Company and GPM are currently in arbitration to resolve the issue.

Gold Rock Project, Kenora Mining Division, Ontario

The Company’s 100% owned Gold Rock Project is located near Dryden, Ontario and comprises two properties, the Gold Rock property, consisting of 20 claims and the Thunder Cloud property consisting of 1 claim. All claims at the Gold Rock Project are in good standing until 2018 or later with the exception of the claim at Thunder Cloud property, which is in good standing until 2017.

West Shining Tree Project – Larder Lake Mining Division, Ontario

The West Shining Tree Project consists of 53 claims in Fawcett, Leonard, MacMurchy and Tyrell townships, near Timmins in Northeastern Ontario. 52 of the claims are 100% owned by Goldeye and 1 claim is 50% owned by Goldeye and 50% owned by third parties. All claims are in good standing until 2017 or later. The property is subject to NSR ranging from 2% to 3% on certain claims in this area. On August 6, 2014, Goldeye received $30,000 from Creso Resources Inc. (“Creso”) as settlement towards the dispute relating to Creso’s termination of an option agreement on February 1, 2012. The option agreement was originally entered into in January 2010 whereby the Company optioned up to 75% of 23 claims in Tyrrell Township in the Shining Tree Project to Creso.

Other Goldeye Interests

The Company has also the following NSR interests which were held by Goldeye: Sonia-Puma NSR – Region V, Chile; McFaulds Lake NSR – Thunder Bay Mining Division, Ontario; and, MacMurchy Township NSR – Larder Lake Mining Division, Ontario

(EXPRESSED IN CANADIAN DOLLARS)

9. ACQUISITION OF GOLDEYE EXPLORATIONS LIMITED

On November 24, 2016, the Company closed the acquisition of all of the shares of Goldeye, a public company that holds the Weebigee Project. In accordance with IFRS 3, *Business Combinations,* this transaction does not meet the definition of a business combination as the assets acquired are not an integrated set of activities with inputs, processes and outputs.

The purchase price of $3,568,390 was allocated to the assets acquired and the liabilities assumed with financial instruments recorded at fair value and other non-financial assets and liabilities recorded at their relative fair values. The Company issued 5,058,859 common shares in exchange for all of the issued and outstanding common shares of Goldeye; in such a way, each former shareholder of Goldeye received 0.10 ("the exchange ratio") of one common share of the Company. After this issuance, the Company has 99,491,974 shares issued and outstanding, with former Goldeye shareholders holding approximately 5% on an undiluted basis. The Company has also authorized the issuance of up to 456,780 common shares upon the exercise of the Goldeye 1,085,000 options and 3,482,000 warrants outstanding prior to completion of the acquisition multiplied by the exchange ratio. The options and warrants were valued using the Black-Scholes option pricing model (see Note 13 and Note 14). The convertible loan payable by Goldeye relates to a $150,000 convertible debenture for interim working capital needs issued to Goldeye prior to the close of the acquisition. The loan bore interest at 8% per annum and was convertible into Goldeye shares at a price of $0.055 per share at any time prior to the closing of the acquisition. In addition, the Company incurred in costs related to the acquisition of $137,260.

Details of the acquisition are as follows:

Consideration	
Fair value of 5,058,859 shares issued in exchange for 50,588,590 Goldeye common shares outstanding	$ 3,237,670
Fair value of 108,500 options in exchange for 1,085,000 Goldeye options	16,413
Fair value of 348,280 warrants in exchange for 3,482,800 Goldeye warrants	24,252
Convertible loan payable by Goldeye	152,795
Transaction costs	137,260
Total consideration	$ 3,568,390

Fair Value of Net Assets Acquired	
Cash and cash equivalents	$ 141,394
Accounts receivable and prepaid expenses	23,192
Equipment	4,668
Investments	93,645
Mineral properties and related deferred costs	3,983,641
Accounts payable and accrued liabilities	(678,150)
Total net assets acquired	$ 3,568,390

(EXPRESSED IN CANADIAN DOLLARS)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The balances are comprised as follows:

	June 30, 2017	December 31, 2016
Trade accounts payable	**$ 828,506**	$ 2,166,955
Accrued liabilities	**569,447**	444,020
Taxes and payroll deductions payable	**14,899**	60,601
	$ 1,412,852	$ 2,671,576

11. LONG-TERM DEBT

The present value of the long-term debt at June 30, 2017 and December 31, 2016 is as follows:

	Convertible Debt Tranche 1(i)	Convertible Debt Tranche 2 (i)	Other debts and Mortgage (ii)	**Total Debt June 30, 2017**
Loan amount	$ 2,854,940	$ 2,854,940	$ 205,823	**$ 5,915,703**
Unamortized transaction costs	(331,562)	(422,187)	-	**(753,749)**
Unaccreted amount	(652,192)	(104,435)	-	**(756,627)**
Fair value of the debt	1,871,186	2,328,318	205,823	**4,405,327**
Current portion of the debt	-	-	(148,322)	**(148,322)**
	$ 1,871,186	$ 2,328,318	$ 57,501	**$ 4,257,005**

	Debt (i)	Convertible Debt (i)	Other debts and Mortgage (ii)	Total Debt December 30, 2016
Loan amount	$ 2,953,940	$ 2,953,940	$ 211,515	$ 6,119,395
Unamortized transaction costs	(341,899)	(372,247)	-	(714,146)
Unaccreted amount	-	(433,112)	-	(433,112)
Fair value of the long term debt	2,612,041	2,148,581	211,515	4,972,137
Current portion of the debt	(2,612,041)	(2,148,581)	(148,323)	(4,908,945)
	$ -	$ -	$ 63,192	$ 63,192

(i) On June 17, 2016, the Company closed a long-term loan agreement for US$4.4 million (CAD$5.9 million) with Loinette Company Leasing Ltd. ("Loinette" or "Tranche 1") and Extract Lending LLC and Extract Capital Master Fund Ltd. ("Extract" or "Tranche 2"). Loinette and Extract each contributed US$2.2 million (CAD$2.95 million) of the loan. The proceeds were used in the repayment of the existing RMB Resources Inc. ("RMB") loan, the advancing of the Goliath Gold Project, and for general corporate purposes.

The terms set out in the loan agreement are as follows:

- The loan matures 15 months from the closing date.

- The Extract portion of the loan may be converted at Extract’s option, in part or in full, at any time, into common shares of the Company at $0.588 per share.

11. LONG-TERM DEBT (Continued)

- The annual interest rate on the Extract portion is the 12-month LIBOR plus 6.5% and on the Loinette portion is the 12-month LIBOR plus 9%. Minimum LIBOR is set at 2%. The interest is payable monthly, in arrears.

- The Facility is secured by a general security agreement, a debenture delivery agreement and demand debenture, which is secured by the Goliath Gold Project property, land, and mining claims in Kenora.

- An arrangement fee of US$175,000 (CAD$225,365) was paid from the proceeds on the closing date.

- The Company issued 220,000 common shares of the Company to the lenders.

- Extract received 250,000 warrants with an exercise price of CAD$0.94 per common share valid for three years.

- The Company assigned to the lenders 3.0 million warrants previously owned by RMB which were subsequently extended by 12 months from their initial maturity. As a result of their expiry date extension, the fair value of the warrants has increased by $532,500 which was included as transaction cost of financing.

- The Company will provide the lenders a production fee of US$10 (CAD$13.43) per each ounce of gold and US$0.125 (CAD$0.17) per each ounce of silver produced from the Goliath Project ("Production Fee"). The Company shall have the option to repurchase the Production Fee. The repurchase price varies from US$750,000 (CAD$1,007,025) if the loan is repaid after six months from the closing date and on or before the maturity date, or US$1.0 million (CAD$1.34 million) if the loan is repaid after the maturity date. Notwithstanding the forgoing, during the first nine months of the term loan, the Company had the option to repurchase the Production Fee for US$350,000 while any indebtedness remains outstanding under the term loan. In the first quarter of the current year the Company repurchased the Production Fee for US$350,000 (CAD$470,783) .

On June 7, 2017, a loan extension agreement was closed extending the maturity of both tranches to April 2, 2019, from September 20, 2017. Pursuant to the terms of the extension, US$2.2 million of the Tranche 1 loan is convertible, at the election of the lenders, into common shares of the Company at a conversion price fixed at CAD$0.90 per Common Share.

The Tranche 2 principal amount of US$2.2 million of the term loan shall be unchanged and continue to be convertible into common shares at a price equal to CAD$0.588 per common share and will have no further amendments. Pursuant to the terms of the Loan Extension, the applicable interest rate in respect of Tranche 2 has been reduced to LIBOR (minimum 200 basis points) plus 6.5% from 8.5%.

As consideration to the lenders for entering into the loan extension, the Company paid the lenders the following:

(a) a total extension fee of US$88,000 for both tranches in consideration for an extension to the maturity date,

(b) US$14,000 for Tranche 2 loan in connection with the reduction to the applicable interest rate; and

(c) issue to the lenders of both tranches an aggregate of 1 million common share purchase warrants, entitling the lenders to purchase common shares as set out below:

- Issuance to the lenders of both tranches an aggregate of 300,000 warrants on the closing date for a period of 3 years, to purchase a common share at an exercise price of CAD$0.75 per share;

- Issuance to the lenders of both tranches an aggregate of 400,000 warrants on the closing date for a period of 3 years, to purchase a common share at an exercise price of CAD$0.85 per share; and

11. LONG-TERM DEBT (Continued)

- Issuance to the lenders of both tranches an aggregate of 300,000 warrants on the closing date for a period of 18 months, to purchase a common share at an exercise price of CAD$0.77 per share.

Due to the loans being denominated in U.S. dollars, the conversion feature has been presented as a derivative liability, and upon issuance was assigned a fair value of $699,209 for the tranche 1 and $931,487 for the tranche 2, using the Black-Scholes option pricing model with the following assumptions: share price $0.67, dividend yield 0%, expected volatility, based on historical volatility 77.45%, a risk free interest rate of 0.85% and an expected life of 22 months for the tranche 1 and share price $0.55, dividend yield 0%, expected volatility, based on historical volatility 86.48%, a risk free interest rate of 0.85% and an expected life of 15 months for the tranche 2. The residual of each tranche was allocated to the host debt component. The cash and non-cash transaction costs were allocated to the two components based on their relative fair values. The transaction costs allocated to the liability component were capitalized against the loan whereas the transaction costs allocated to the derivative liability were expensed through profit and loss.

As at June 30, 2017, the derivative liability of the tranche 1 was assigned a fair value of $554,939 using the Black-Scholes option pricing model with the following assumptions: share price $0.62, dividend yield 0%, expected volatility, based on historical volatility 76.45%, a risk free interest rate of 0.85% and an expected life of 23 months. The derivative liability of the tranche 2 was assigned a fair value of $1,229,543 using the Black-Scholes option pricing model with the following assumptions: share price $0.62, dividend yield 0%, expected volatility, based on historical volatility 76.45%, a risk free interest rate of 0.85% and an expected life of 23 months.The fair value change in the current period of $198,273, has been recognized in the statements of operations.

Balance of liability component of convertible debt - Tranche 1	**June 30, 2017**
Net balance upon issuance on June 7, 2017	**$ 1,995,857**
Accretion on convertible debt	**21,066**
Amortized transaction costs	**7,408**
Foreign exchange adjustment	**(153,145)**
	$ 1,871,186

Balance of liability component of convertible debt-Tranche 2	**June 30, 2017**	December 31, 2016
Net balance upon issuance on June 17, 2016	**$ 1,465,383**	$ 1,465,383
Accretion on convertible debt	**474,711**	321,934
Amortized transaction costs	**509,485**	276,692
Foreign exchange adjustment	**(121,261)**	84,572
	$ 2,328,318	$ 2,148,581

(EXPRESSED IN CANADIAN DOLLARS)

11. LONG-TERM DEBT (Continued)

(ii) The detail of other debt and mortgage is as follows:

Balance at,		**June 30, 2017**		December 31, 2016
Related party short-term loan (a)	**$**	**94,707**	$	87,870
Mortgage (b)		**81,116**		93,645
Short-term loan from former director (c)		**30,000**		30,000
	$	**205,823**	$	211,515

(a) The amount includes principal and interest payable to an entity which has a director in common with the Company. This debt is unsecured and bears an annual interest of 15% compounded quarterly and due on demand (Note 15).

(b) The mortgage is related to a purchase of land and building located on the Goliath Gold Project property for a total of $200,000. The purchase was made in November 2010 consisting of 120 monthly payments with annual interest rate of prime plus 3% expiring in October 2020 as per the chart presented below.

The future principal payments of the outstanding mortgage are as follows:

		Total
2017	$	11,086
2018		23,309
2019		24,851
2020		21,870
Total mortgage	$	81,116

(c) On April 29, 2016 a former director of Goldeye loaned $30,000 to the Company through a promissory note. This debt is interest free, unsecured and due on demand (Note 15).

(EXPRESSED IN CANADIAN DOLLARS)

12. CAPITAL STOCK

a) AUTHORIZED

Unlimited common shares

b) ISSUED

COMMON SHARES	Number of Shares	Stated Value
Balance,January 1, 2016	82,274,761	$ 66,784,052
Shares issued for cash in private placements	9,351,905	4,353,700
Share issue costs	-	(382,488)
Issuance of compensation options	-	(60,000)
Issuance of warrants	-	(785,511)
Stock options exercised	370,000	185,000
Fair value of contributed surplus transferred on exercised options	-	52,787
Shares issued with respect to term loan	220,000	121,000
Balance, June 30, 2016	92,216,666	$ 70,268,540
Flow through private placements	3,587,117	2,618,595
Share issue costs	-	(139,207)
Issuance of warrants	-	140,528
Stock options exercised	2,245,741	1,134,255
Fair value of contributed surplus transferred on exercised options	-	410,278
Issued with respect to business acquisition	5,058,859	3,237,670
Flow-through shares premium	-	(753,295)
Balance, December 31, 2016	103,108,383	$ 76,917,364
Shares issued for cash in private placements	12,400,000	8,060,000
Share issue cash costs	-	(675,001)
Issuance of warrants	-	(1,215,956)
Stock options and warrants exercised	1,076,465	442,170
Fair value of stock options and warrants exercised	-	145,096
Balance, June 30, 2017	116,584,848	$ 83,673,673

Private Placements

On May 15, 2017, the Company closed a short-form prospectus offering for aggregate gross proceeds of $8,060,000 through the issuance of 12,400,000 units at a price of $0.65 per unit. Each unit consisted of one common share and one half common share purchase warrant. Each warrant entitles his holder to acquire one common share at an exercise price of $0.95 for a period of 24 months from the date of issuance. The proceeds are to be used in the advancement of the Company's Goliath Gold Project and for general working capital purposes. The Company paid an aggregate cash finder's fees and commissions of $477,388 to certain parties in connection with this financing and $197,613 of other issue costs.

12. CAPITAL STOCK (Continued)

On December 21, 2016, the Company closed a non-brokered placement for aggregate gross proceeds of $2,618,595 through the issuance of 3,587,117 flow-through common shares at a price of $0.73 per flow-through share. The proceeds are to be used in the advancement of the Company's Goliath Gold Project and for general working capital purposes. The Company paid an aggregate cash finder's fee of $101,526 to certain parties in connection with this financing and $26,884 of other issue costs.

In connection with the Goldeye acquisition (see Note 9), on November 24, 2016, the Company issued 5,058,859 common shares at a fair market value of $3,237,670 in exchange for all of the issued and outstanding common shares of Goldeye. After this issuance, the former Goldeye shareholders hold approximately 5% of the capital stock on an undiluted basis.

In connection with the long-term debt agreement closed on June 17, 2016 (Note 11), the Company issued 220,000 common shares to the lenders at the fair market value of $0.55 each and incurred $10,798 in issue costs.

On May 18, 2016, the Company closed a brokered private placement for which it issued 6,258,000 units at a price of $0.48 per unit for aggregate gross proceeds of $3 million. In addition, the Company issued, on a non-brokered basis, 2,083,333 units at a price of $0.48 per unit to a strategic financial investor for additional gross proceeds of $1 million, resulting in total gross proceeds raised under the brokered and the non-brokered placements of $4 million. Each unit sold under the placements consists of one common share of the Company and one half of one common share purchase warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.70 for a period of 24 months from the date of issuance. The Company paid a cash commission of $184,550, $176,597 of other issue costs and issued an aggregate of 351,480 compensation options, valued at $60,000, to the broker in connection with the brokered financing. The Compensation Options are exercisable for 24 months following the closing date at an exercise price of $0.70 per common share. The net proceeds of the placements will be used to fund technical programs and mine permitting of the Company's Goliath Gold Project and for working capital and general corporate purposes. The common shares and warrants comprising the units, the compensation options, and any shares issued upon due exercise of the warrants and compensation options, are subject to a four-month hold period under applicable securities laws in Canada.

On January 13, 2016, the Company closed the final tranche of the private placement initiated in December 2015, and received $353,700 for 1,010,572 units, at a price of $0.35 per unit. Each unit consists of one common share and one half of one common share purchase warrant of the Company exercisable for a period of 36 months at $0.55 per share.The Company paid a cash finder fees of $22,960 and $9,178 of other issue costs.

On December 29, 2015, the Company closed the first tranche of a non-brokered placement for gross proceeds of $482,500 through the issuance of 425,000 units, at a price of $0.35 per unit and 741,667 flow-through common shares at a price of $0.45 per flow-through common share. Each unit consists of one common share and one-half of one common share purchase warrant of the Company exercisable for a period of 36 months at $0.55 per share. The common shares and warrants comprising the units, and any common shares issued upon due exercise of the warrants are subject to a four-month hold period under applicable securities laws in Canada. The Company paid an aggregate cash finder's fee of 7% to certain arm's length parties. The net proceeds are to be used in the advancement of the Company's Goliath Gold Project and for general working capital purposes. Subsequently, on January 13, 2016 the Company closed the final tranche and received $502,450 for 1,435,572 units, at a price of $0.35 per unit. At December 31, 2015, included in the first tranche there were 468,000 units for which $163,800 payment was not received until the year end due to administrative delay. These units were held by the Company until full payment was received in early January 2016.

12. CAPITAL STOCK (Continued)

On September 25 and 30, 2015, the Company closed a non-brokered placement for aggregate gross proceeds of $1,898,385 through the issuance of 2,629,744 units at a price of $0.45 per unit and 1.43 million flow-through common shares at a price of $0.50 per flow-through common shares. Each unit consists of one common share and one-half of one common share purchase warrant of the Company exercisable for a period of 36 months at $0.56 per share. The net proceeds are to be used in the advancement of the Company's Goliath Gold Project and for general working capital purposes. The Company paid an aggregate cash finder's fee of 6% and an aggregate of 200,732 compensation options to three arm's length parties. Each compensation option entitles the holder to purchase one common share at a price of $0.56 for a period of 36 months, subject to a four-month hold period under applicable securities laws in Canada.

13. WARRANTS

In connection with the short-form prospectus offering (Note 12), on May 15, 2017, the Company issued 6,200,000 warrants exercisable within 24 months at a price of $0.95 per share and were assigned a fair value of $1,215,956 using the Black-Scholes option pricing model with the following assumptions: share price $0.66, dividend yield 0%, expected volatility, based on historical volatility 73.64%, a risk free interest rate of 1.03% and an expected life of 2 years.

In connection with the extension of the debt agreements signed with Loinette and Extract (Note 11), on June 7, 2017, the Company executed the following transactions with warrants:

- Issued 300,000 warrants exercisable at a price of $0.75 per share until June 7, 2020. The warrants were assigned a fair value of $95,440 using the Black-Scholes option pricing model with the following assumptions: share price $0.75, dividend yield 0%, expected volatility, based on historical volatility 77.07%, a risk free interest rate of 1.30% and an expected life of 3 years.
- Issued 400,000 warrants exercisable at a price of $0.85 per share until June 7, 2020. The warrants were assigned a fair value of $118,769 using the Black-Scholes option pricing model with the following assumptions: share price $0.67, dividend yield 0%, expected volatility, based on historical volatility 77.07%, a risk free interest rate of 1.30% and an expected life of 3 years.
- Issued 300,000 warrants exercisable at a price of $0.77 per share until December 7, 2018. The warrants were assigned a fair value of $65,745 using the Black-Scholes option pricing model with the following assumptions: share price $0.67, dividend yield 0%, expected volatility, based on historical volatility 77.07%, a risk free interest rate of 1.30% and an expected life of 1.5 years.

In connection with the Goldeye acquisition (Note 9), on November 24, 2016, the Company issued 348,280 warrants exercisable at a price between $0.50 and $1.00 per share, in different dates from December 17, 2016 to February 22, 2017 and were assigned a fair value of $24,252 using the Black-Scholes option pricing model with the following assumptions: share price $0.64, dividend yield 0%, expected volatility, based on historical volatility 73.64%, a risk free interest rate of 1.03% and an expected life of 8 months.

In connection with the debt agreements signed with Loinette and Extract (Note 11), on June 17, 2016, the Company executed the following transactions with warrants:

- Issued 250,000 warrants exercisable at a price of $0.94 per share until June 17, 2019. The warrants were assigned a fair value of $50,812 using the Black-Scholes option pricing model with the following assumptions: share price $0.55, dividend yield 0%, expected volatility, based on historical volatility 77.19%, a risk free interest rate of 1.30% and an expected life of 3 years.
- Transferred 1,500,000 financier warrants, previously owned by RMB, exercisable at a price of $0.395 per share until August 18, 2018 which is a one-year extension over the original expiry date. The transferred warrants were assigned a fair value of $232,500, as per their intrinsic value.

13. WARRANTS (Continued)

- Transferred 1,500,000 financier warrants previously owned by RMB, exercisable at a price of $0.35 per share until May 18, 2019 which is a one-year extension over the original expiry date. The transferred warrants were assigned a fair value of $300,000, as per their intrinsic value.

In connection with the brokered private placement (Note 12), on May 18, 2016, the Company issued 3,129,000 warrants exercisable within 24 months. The warrants are subject to a four-month hold period under applicable securities laws in Canada, at a price of $0.70 per share and were assigned a fair value of $534,144 using the Black-Scholes option pricing model with the following assumptions: share price $0.50, dividend yield 0%, expected volatility, based on historical volatility 80.32%, a risk free interest rate of 1.03% and an expected life of 2 years.

In connection with the non-brokered private placement (Note 12), on May 18, 2016, the Company issued 1,041,667 warrants exercisable within 24 months. The warrants are subject to a four-month hold period under applicable securities laws in Canada, at a price of $0.70 per share and were assigned a fair value of $177,820 using the Black-Scholes option pricing model with the following assumptions: share price of $0.50, dividend yield 0%, expected volatility, based on historical volatility of 80.32%, a risk free interest rate of 1.03% and an expected life of 2 years.

In connection with the May 18, 2016 private placement, the Company issued 351,480 agent warrants; each warrant entitles the holder to purchase one common share at a price of $0.70 per share for a period of 24 months, subject to a four-month hold period under applicable securities laws in Canada. These warrants were assigned a fair value of $60,000 using the Black-Scholes option pricing model with the following assumptions: share price of $0.50, dividend yield 0%, expected volatility, based on historical volatility of 80.32%, a risk free interest rate of 1.30% and an expected life of 2 years. The fair value of warrants issued is equivalent to the services received.

In connection with the second tranche of the private placement, on January 13, 2016, the Company issued 505,286 warrants exercisable for the following 36 months. The warrants are subject to a four-month hold period under applicable securities laws in Canada, at a price of $0.55 per share and were assigned a fair value of $73,547 using the Black-Scholes option pricing model with the following assumptions: share price $0.36, dividend yield 0%, expected volatility, based on historical volatility 79.72%, a risk free interest rate of 1.03% and an expected life of 3 years.

In connection with the first tranche of the private placement closed on December 29, 2015, the Company issued 234,000 warrants and 22,250 broker warrants, exercisable for the following 36 and 12 months, respectively. The 234,000 warrants are subject to a four-month hold period under applicable securities laws in Canada, at a price of $0.55 per share and were assigned a fair value of $38,294 using the Black-Scholes option pricing model with the following assumptions: share price $0.45, dividend yield 0%, expected volatility, based on historical volatility 75.95%, a risk free interest rate of 1.03% and an expected life of 3 years. The 22,250 broker warrants were assigned a fair value of $3,655 using the same assumptions, with the exception of their exercise price of $0.45 per share and their one year expected life.

In connection with the second tranche of the private placement closed on December 29, 2015, the Company issued 212,500 warrants exercisable for the following 36 months. The warrants are subject to a four-month hold period under applicable securities laws in Canada, at a price of $0.55 per share and were assigned a fair value of $35,347 using the Black-Scholes option pricing model with the following assumptions: share price $0.45, dividend yield 0%, expected volatility, based on historical volatility 75.95%, a risk free interest rate of 1.03% and an expected life of 3 years.

(EXPRESSED IN CANADIAN DOLLARS)

13. WARRANTS (Continued)

In connection with the private placement closed on September 25 and 30, 2015, the Company issued 1,148,538 and 166,331 warrants, respectively, exercisable for the following 36 months, subject to a four-month hold period under applicable securities laws in Canada, at a price of $0.56 per share. These warrants were assigned a fair value of $261,166 using the Black-Scholes option pricing model with the following assumptions: share price $0.45, dividend yield 0%, expected volatility, based on historical volatility 75.63%, a risk free interest rate of 1.30% and an expected life of 3 years.

The following table reflects the continuity of warrants:

	Number of Warrants 2017	Number of Warrants 2016	**Weighted Average Exercise Price 2017**	Weighted Average Exercise Price 2016
Balance, at beginning of year	**9,532,910**	6,182,785	**$ 0.60**	$ 0.49
Issued, on private placement units	**-**	505,286	**-**	0.55
Issued, on brokered placement (Note 12)	**6,200,000**	3,129,000	**0.95**	0.700
Issued, on non-brokered placement (Note 12)	**-**	1,041,667	**-**	0.70
Issued, agent warrants	**-**	351,480	**-**	0.70
Issued with respect to Goldeye acquisition (Note 9)	**-**	334,000	**-**	1.00
Issued with respect to Goldeye acquisition (Note 9)	**-**	14,280	**-**	0.50
Issued on debt agreement (Note 11)	**-**	250,000	**-**	0.94
Issued on debt agreement (Note 11)	**300,000**	-	**0.75**	-
Issued on debt agreement (Note 11)	**400,000**	-	**0.85**	-
Issued on debt agreement (Note 11)	**300,000**	-	**0.77**	-
Exercised	**-**	(19,450)	**0.45**	0.45
Exercised	**(311,465)**	(429,492)	**0.56**	0.56
Exercised	**-**	(17,000)	**0.55**	0.55
Exercised	**(375,000)**	(375,000)	**0.35**	0.35
Expired	**-**	(80,000)	**0.40**	0.40
Expired	**-**	(1,327,846)	**-**	0.75
Expired	**-**	-	**-**	0.75
Expired	**-**	(24,000)	**1.00**	1.00
Expired	**-**	(2,800)	**0.50**	0.50
Balance June 30 and December 31	**16,046,445**	9,532,910	**$ 0.75**	$ 0.60

(EXPRESSED IN CANADIAN DOLLARS)

13. WARRANTS (Continued)

The issued and outstanding warrants are comprised as follows:

Expiry Date	Type	Warrants at June 30, 2017	Warrants at December 31, 2016	Exercise Price
July 23, 2017	Warrants	**210,000**	210,000	$ 1.00
July 23, 2017	Warrants	**5,600**	5,600	$ 0.50
August 12, 2017	Warrants	**100,000**	100,000	$ 1.00
May 18, 2018	Warrants	**3,129,000**	3,129,000	$ 0.70
May 18, 2018	Warrants	**1,041,667**	1,041,667	$ 0.70
May 18, 2018	Warrants	**351,480**	351,480	$ 0.70
August 18, 2018	Financier warrants	**1,500,000**	1,500,000	$ 0.39
September 24, 2018	Warrants	**407,581**	719,046	$ 0.56
September 24, 2018	Warrants	**166,331**	166,331	$ 0.56
December 7, 2018	Warrants	**300,000**	-	$ 0.77
December 24, 2018	Warrants	**217,000**	217,000	$ 0.55
January, 13, 2019	Warrants	**212,500**	212,500	$ 0.45
January, 13, 2019	Warrants	**505,286**	505,286	$ 0.55
May 15, 2019	Warrants	**6,200,000**	-	$ 0.95
May 18, 2018	Financier warrants	**750,000**	1,125,000	$ 0.35
June 17, 2019	Warrants	**250,000**	250,000	$ 0.94
June 7, 2020	Warrants	**300,000**	-	$ 0.75
June 7, 2020	Warrants	**400,000**	-	$ 0.85
		16,046,445	9,532,910	

The weighted average life of the outstanding warrants at June 30, 2017 is 1.5 years (December 31, 2016 - 1.4 years).

14. STOCK-BASED COMPENSATION

On June 29, 2017, the Company granted a total of 800,000 options to certain employees and consultants to buy common shares at an exercise price of $0.62 each and expire on June 29, 2020. The stock options vest 33.3% on June 29, 2017 and the remaining 66.7% vest in two equal portions at each anniversary of the date of granting. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price $0.59, dividend yield 0%, expected volatility 76.17% based on historical volatility, a risk free interest rate of 1.35%, and an expected life of 3 years. As a result, the fair value of the options was estimated at $230,415 and will be recognized in the statement of operations over the periods the options vest.

14. STOCK-BASED COMPENSATION (Continued)

On December 5, 2016, the Board of Directors approved the issuance of 900,000 and 100,000 stock options to an officer and an employee, respectively, at an exercise price of $0.62. The 900,000 options have a three-year term, one third vest at date of issuance and two thirds vest 50% at each anniversary date. The $284,981 fair value assigned to the 900,000 options was estimated using the Black-Scholes option pricing model with the following assumptions: share price $0.62, dividend yield 0%, expected volatility 78.44% based on historical volatility, a risk free interest rate of 1.03%, and an expected life of 3 years. The 100,000 options have a 22-month term, vest 50% after the first six months and the remaining 50% after twelve months. The $31,480 fair value assigned to the 100,000 options was estimated using the Black-Scholes option pricing model with the following assumptions: share price $0.62, dividend yield 0%, expected volatility 81.12% based on historical volatility, a risk free interest rate of 1.03%, and an expected life of 22 months. The fair value of the options will be recognized in the statement of operations over the periods the options vest.

In connection with the Goldeye acquisition (Note 9), on November 24, 2016, the Company issued 108,500 stock options exercisable at prices between $0.50 and $1.50 per share, with expiry date on February 2017 and were assigned a fair value of $16,413 using the Black-Scholes option pricing model with the following assumptions: share price $0.64, dividend yield 0%, expected volatility, based on historical volatility between 77.51% and 86.22%, a risk free interest rate of 1.03% and an expected life according to their expiration date.

On July 19, 2016, the Company granted a total of 2,250,000 options to officers, directors, employees and consultants to buy common shares at an exercise price of $0.63 each. These options vest at the date of grant and expire on October 19, 2018. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price $0.63, dividend yield 0%, expected volatility 77.64% based on historical volatility, a risk free interest rate of 1.30%, and an expected life of 2.25 years. As a result, the fair value of the options was estimated at $634,773 and is recognized at the date of grant.

On January 16, 2016, the Board of Directors approved the issuance of 150,000 stock options to an officer. The stock options have a three-year term, vest 50% after the first six months and the remaining 50% after twelve months, and have an exercise price of $0.40. The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: share price $0.39, dividend yield 0%, expected volatility 80.03% based on historical volatility, a risk free interest rate of 1.30%, and an expected life of 3 years. As a result, the fair value of the options was estimated at $30,131 and will be recognized over the periods the options vest.

In connection with the September 24 and 25, 2015 private placement, the Company issued 200,732 compensation options; each compensation option entitles the holder to purchase one common share at a price of $0.56 per share for a period of 36 months, subject to a four-month hold period under applicable securities laws in Canada. These compensation options were assigned a fair value of $39,870 using the Black-Scholes option pricing model with the following assumptions: share price $0.45, dividend yield 0%, expected volatility, based on historical volatility 75.63%, a risk free interest rate of 1.30% and an expected life of 3 years.

On June 16, 2015, the Company granted 175,000 options to a consultant to purchase common shares at an exercise price of $0.38 each. These options vest at a rate of 50% every six months after the date of grant and expire on June 16, 2018. As the fair value of services received cannot be estimated reliably, the option value has been measured using the Black-Scholes option pricing model with the following assumptions: share price $0.38, dividend yield 0%, expected volatility 71.95% based on historical volatility, a risk free interest rate of 1.30%, and an expected life of 2 years. As a result, the fair value of the options was estimated at $26,403 and will be recognized over the periods the options vest.

(EXPRESSED IN CANADIAN DOLLARS)

14. STOCK-BASED COMPENSATION (Continued)

On April 30, 2015, the Company granted a total of 2,725,000 options to officers, directors, employees and consultants to purchase common shares at an exercise price of $0.35 each. These options vest at a rate of 50% every six months after the date of grant and expire on April 30, 2018. As the fair value of services received cannot be estimated reliably, the option value has been measured using the Black-Scholes option pricing model with the following assumptions: share price $0.30, dividend yield 0%, expected volatility 73.21% based on historical volatility, a risk free interest rate of 1.30%, and an expected life of 2 years. As a result, the fair value of the options was estimated at $291,751 and will be recognized over the periods the options vest.

Treasury Metals has a 10% rolling stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, employees and consultants. As at June 30, 2017, the Company has an additional 4,361,908 (December 31, 2016 – 3,996,667) options available for issuance under the plan.

During the period ended June 30, 2017, the stock-based compensation charged to mineral properties and related deferred costs amounted $44,352 (2016 - $17,546).

The Company estimates expected life of options and expected volatility based on historical volatility, which may differ from actual outcomes.

Continuity of the unexercised options to purchase common shares is as follows:

	Number of Stock Options 2017	Number of Stock Options 2016	**Weighted Average Exercise Price 2017**	Weighted Average Exercise Price 2016
Balance, at beginning of year	**6,859,433**	7,015,732	**$ 0.52**	$ 0.46
Options granted	**-**	2,250,000	**-**	0.63
Options granted	**-**	150,000	**-**	0.40
Options granted	**800,000**	1,000,000	**0.62**	0.62
Issued with respect to business acquisition (Note 9)	**-**	40,000	**-**	0.50
Issued with respect to business acquisition (Note 9)	**-**	48,500	**-**	1.00
Issued with respect to business acquisition (Note 9)	**-**	20,000	**-**	1.50
Exercised	**-**	(370,000)	**0.50**	0.50
Exercised	**(390,000)**	(150,000)	**0.35**	0.35
Exercised	**-**	(74,799)	**0.56**	0.56
Expired	**(475,000)**	(1,700,000)	**0.55**	0.55
Expired	**(20,000)**	-	**1.50**	-
Expired	**(40,000)**	(1,370,000)	**0.50**	0.50
Expired	**(48,500)**	-	**1.00**	-
Balance June 30 and December 31	**6,685,933**	6,859,433	**$ 0.52**	$ 0.52

The weighted average life of the outstanding options at June 30, 2017 is 1.5 years (December 31, 2016 - 1.7 years). The weighted average market value of the shares when the options were exercised in the current year was $0.72 (2016 - $0.42).

(EXPRESSED IN CANADIAN DOLLARS)

14. STOCK-BASED COMPENSATION (Continued)

The outstanding options are comprised as follows:

Grant Date	Expiry Date	Number of Stock Options at June 30, 2017	Number of Stock Options at December 31, 2016	Exercise Price
March 7, 2014	September 7, 2016 (i)	**-**	475,000	0.55
November 24, 2016	February 22, 2017	**-**	3,500	1.00
November 24, 2016	February 22, 2017	**-**	20,000	1.50
November 24, 2016	February 22, 2017	**-**	25,000	1.00
November 24, 2016	February 22, 2017	**-**	20,000	1.00
November 24, 2016	February 22, 2017	**-**	20,000	0.50
November 24, 2016	February 22, 2017	**-**	20,000	0.50
April 30, 2015	April 30, 2018	**2,185,000**	2,575,000	0.35
June 16, 2015	June 16, 2018	**175,000**	175,000	0.38
September 24, 2015	September 24, 2018	**125,933**	125,933	0.56
July 19, 2016	October 19, 2018	**2,250,000**	2,250,000	0.63
December 5, 2016	October 19,2018	**100,000**	100,000	0.62
January 16, 2016	January 16, 2019	**150,000**	150,000	0.40
December 5, 2016	December 5, 2019	**900,000**	900,000	0.62
June 29, 2017	June 29, 2020	**800,000**	-	0.62
		6,685,933	6,859,433	

(i) The expiry date was extended until the end of a black-out period to January 27, 2017. All of these options subsequently expired on that date.

At June 30, 2017, 5,502,600 of the outstanding options are exercisable (December 31, 2016 - 3,996,667).

15. RELATED PARTY DISCLOSURES

Certain corporate entities that are related to the Company's officers and directors provide services to Treasury Metals. At June 30, 2017, there is $11,223 of accounts payable to Laramide Resources Ltd. (December 31, 2016 – accounts receivable of $23,341), and nil from/to Forrester Metals Inc. (December 31, 2016 - $19,354), both companies have a director and an officer in common with Treasury Metals Inc. During the period, Laramide charged $194,386 (2016 - $83,023) for office space rent, and other expenditures paid by Laramide on behalf of the Company and the Company charged $8,797 of shared expenditures paid on behalf of Laramide (2016 - $59,119). In the comparative period of 2016 there was $3,382 of shared administrative and general expenditures paid by the Company on behalf of Forrester Metals Inc. and nil in the current period.

At June 30, 2017, the current portion of long-term debt account includes $94,707 of loans received from related entities and a $30,000 loan from a former officer of Goldeye (Note 11). Also, in the accounts payable and accrued liabilities account at June 30, 2017, and December 31, 2016, there is $57,343 of accounts payable to a former officer of Goldeye.

Transactions with related parties were conducted in the normal course of operations.

(EXPRESSED IN CANADIAN DOLLARS)

16. KEY MANAGEMENT COMPENSATION

Key management includes the Chief Executive Officer, Chief Financial Officer and directors of the Company.

The compensation payable to key management is shown below:

Periods ended June 30		2017		2016
Salaries	$	247,750	$	71,870
Director fees		32,000		23,250
Stock-based compensation, at fair value		-		30,121
	$	279,750	$	125,241

17. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company is committed to spend $2,618,595 on Canadian exploration costs as part of its flow-through funding agreement dated on December 21, 2016. At June 30, 2017 the Company has spent $2,397,331 (December 31, 2016 - $71,774).

18. FINANCIAL RISK FACTORS

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers capital from two perspectives: its working capital position and its capital stock, warrant, and stock option components of its shareholders' equity.

At June 30, 2017, the Company has a working capital of $3,497,149 excluding the non-cash unrenounced flow-through share premium liability and derivative liability (December 31, 2016 - Deficiency of $4,742,404); Capital stock and contributed surplus total $91,252,396 (December 31, 2016 - $83,018,917).

To effectively manage the Company's capital requirements, the management has in place a rigorous planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient committed loan facilities and planned future capital raises to meet its short-term business requirements, taking into account its anticipated cash flow from operations and its holding of cash and cash equivalents and money market investments.

At June 30, 2017, the Company expects its capital resources and projected future cash flows from financing to support its normal operating requirements on an ongoing basis, and planned development and exploration of its mineral properties and other expansionary plans. At June 30, 2017, there were certain externally imposed capital requirements related to the long term debt, to which the Company is subject and with which the Company was not in compliance.

18. FINANCIAL RISK FACTORS (Continued)

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended June 30, 2017.

Risk Disclosures

Exposure to credit, interest rate and currency risks arises in the normal course of the Company’s business.

Credit Risk

The Company has cash and cash equivalents balance of $4,232,359 (December 31, 2016 - $2,857,583) and accounts receivable of $374,960 (December 31, 2016 - $328,204). The Company's current policy is to invest excess cash in investment grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. There is no significant credit risk with respect of receivables.

Interest Rate Risk

The Company has exposure to interest rate risk since its long-term debt has an interest rate of 12-month LIBOR plus 6.5%.

Foreign Currency Risk

The Company is exposed to foreign currency risk on financial assets and liabilities that are denominated in a currency other than the Canadian dollar. The currency giving rise to this risk is primarily the U.S. dollar, the balance of net monetary liabilities in such currency as of June 30, 2017 is $4,244,837 (December 31, 2016 - $5,261,383).

Liquidity Risk

The Company is exposed to liquidity risk primarily as a result of its trade accounts payable and its debt. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2017, the Company had a cash and cash equivalents balance of $4,232,359 (December 31, 2016 - $2,857,583) to settle current liabilities of $3,345,656 (December 31, 2016 - $8,460,684), excluding the non-cash unrenounced flow-through share premium liability. All of the Company's trade accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms. The Company relies on external financing to generate sufficient operating capital and the management believes it will be able to raise any required funds in the short-term.

Sensitivity Analysis

As at June 30, 2017 and December 31, 2016, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

18. FINANCIAL RISK FACTORS (Continued)

Based on management's knowledge and experience of the financial markets, the Company believes the following movement is "reasonably possible" over a twelve-month period.

i) The Company is exposed to interest rate risk on LIBOR fluctuations for its long-term debt. A variance of 1% in the 12-month LIBOR will affect the annual Company's net comprehensive loss by approximately $57,099.

ii) The Company is exposed to foreign currency risk on fluctuations of balances that are denominated in US currency related to cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect the net comprehensive loss by $424,484.

iii) The Company is exposed to market risk as it relates to its investments held in marketable securities. If market prices had varied by 10% from their June 30, 2017 fair market value positions, the comprehensive loss would have varied by $34,905.

Fair Value Hierarchy

The Company has designated its warrants as FVTPL financial assets, and investments in shares as available for sale, which are measured at fair value. The derivative liability is classified as FVTPL and is measured at fair value with unrealized gains or losses reported in the consolidated statement of operations.

Accounts payable and accrued liabilities and the long-term debt are considered as other financial liabilities, which are measured at amortized cost which also approximates fair value.

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where fair value measurement is required. The fair value of long-term debt approximates their carrying amount due to the effective interest rate being close to the market rate. Fair value amounts represent point in time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy. Level one includes quoted prices (unadjusted) 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 carrying value of cash and cash equivalents and investments approximate their fair value.

June 30, 2017:	Level One	Level Two	Level Three
Cash and cash equivalents	$ 4,232,359	$ -	$ -
Investments	349,052	-	-
Derivative liability	-	1,784,482	-
	$ 4,581,411	$ 1,784,482	$ -

December 31, 2016:	Level One	Level Two	Level Three
Cash and cash equivalents	$ 2,857,583	$ -	$ -
Investments	255,926	23,729	-
Derivative liability	-	887,000	-
	$ 3,113,509	$ 910,729	$ -

There have been no transfers between levels 1, 2 or 3 during the periods.