NORTHERN EMPIRE RESOURCES CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2017 and 2016
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED)

NORTHERN EMPIRE RESOURCES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)
AS AT

	Notes	June 30, 2017	March 31, 2017
ASSETS			
Current			
Cash		$ 11,883,243	$ 2,824,871
Receivables		52,495	19,128
Prepaid expenses	8	133,214	131,875
Inventory		75,957	-
Total current assets		12,144,909	2,975,874
Investments	4	194,500	261,300
Deferred acquisition costs	5	-	2,160,675
Deferred financing costs	15	1,470,271	-
Exploration and evaluation assets	5	13,088,679	57,187
Reclamation bond	5	4,456,318	-
Building and equipment	6	3,102,024	-
Total assets		$ 34,456,701	$ 5,455,036
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	5,8	$ 4,956,578	$ 393,702
Convertible notes payable	10	4,995,678	4,394,404
Total current liabilities		9,952,256	4,788,106
Restoration, rehabilitation and environmental obligations	7	5,104,191	-
Total liabilities		15,056,447	4,788,106
Shareholders' equity			
Capital stock	9	22,093,205	20,778,436
Subscription received	15	19,557,724	-
Reserves	9	5,549,311	5,146,781
Accumulated other comprehensive loss		(533,150)	(466,350)
Deficit		(27,266,836)	(24,791,937)
Total shareholders' equity		19,400,254	666,930
Total liabilities and shareholders' equity		$ 34,456,701	$ 5,455,036

Nature and continuance of operations (Note 1)
Subsequent Events (Note 15)

Approved on behalf of the Board:

"Darryl Cardey", Director   " Michael G. Allen", Director

See accompanying notes to the condensed interim consolidated financial statements.

NORTHERN EMPIRE RESOURCES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)
FOR THE THREE MONTHS ENDED JUNE 30

	Notes		2017		2016
EXPENSES					
Consulting and management fees	8	$	107,859	$	43,957
Exploration and evaluation expenditures	5		357,608		76,781
Depreciation	6		28,262		-
Interest accretion	7, 10		611,607		(511)
Foreign exchange gain (loss)			86,773		465
Office, rent, salary and miscellaneous	8		271,735		14,463
Professional fees	8		43,869		16,169
Property investigation costs			127,987		6,300
Share-based compensation	9		425,150		-
Shareholder communications and promotion			289,335		5,775
Transfer agent and filing fees			70,192		1,541
Travel and accommodation			54,522		1,985
Loss for the period			(2,474,899)		(166,925)
Unrealized loss on investments	4		(66,800)		-
Loss and comprehensive loss for the period		$	(2,541,699)	$	(166,925)
Basic and diluted net loss per common share		$	(0.23)	$	(0.02)
Weighted average number of common shares outstanding – basic and diluted			11,171,037		7,792,766

See accompanying notes to the condensed interim consolidated financial statements.

NORTHERN EMPIRE RESOURCES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)
FOR THE THREE MONTH PERIODS ENDED JUNE 30,

	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the period	$ (2,474,899)	$ (166,925)
Items not affecting cash:		
Accretion expense	611,607	(511)
Depreciation	28,262	-
Share-based compensation	425,150	-
	(1,409,880)	(167,436)
Change in non-cash working capital items:		
Receivables	(33,367)	2,297
Prepaid expenses	(1,339)	(71,927)
Inventory	(5,144)	-
Accounts payable and accrued liabilities	106,558	(33,802)
Net cash flows used in operating activities	(1,343,172)	(270,868)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Acquisition of Sterling Property (Note 5)	(7,728,058)	-
Net cash flows used in investing activities	(7,728,058)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Share subscriptions received	19,557,724	321,660
Deferred financing costs	(1,470,271)	(12,540)
Proceeds from options exercised	26,999	-
Proceeds from warrants exercised	15,150	-
Net cash flows from financing activities	18,129,602	309,120
Change in cash	9,058,372	38,252
Cash, beginning of period	2,824,871	149,701
Cash, end of period	$ 11,883,243	$ 187,953

Supplemental disclosure with respect to cash flows (Note 11)

See accompanying notes to the condensed interim consolidated financial statements.

NORTHERN EMPIRE RESOURCES CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)

				Reserves				
	Number of Shares	Capital Stock	Subscription receipts	Equity Settled Share-based Payments Reserve	Warrant Reserve	Accumulated Other Comprehensive Income (Loss)	Deficit	Total
Balance, March 31, 2016	**7,792,766**	**$ 19,623,057**	**-**	**$ 1,897,819**	**$ 2,127,657**	**$ (1,250)**	**$ (23,038,292)**	**$ 608,991**
Unrealized loss on investments	-	-	-	-	-	(2,500)	-	(2,500)
Loss and comprehensive loss	-	-	-	-	-	-	(166,925)	(166,925)
Balance, June 30, 2016	7,792,766	$ 19,623,057	-	$ 1,897,819	$ 2,127,657	$ (3,750)	$ (23,205,217)	$ 439,566
Balance, March 31, 2017	**11,027,199**	**$ 20,778,436**	**-**	**$ 2,131,286**	**$ 3,015,495**	**$ (466,350)**	**$ (24,791,937)**	**$ 666,930**
Shares issued pursuant to purchase agreement	1,666,666	1,250,000	-	-	-	-	-	1,250,000
Subscription receipts	-	-	19,557,724	-	-	-	-	19,557,724
Share-based compensation	-	-	-	425,150	-	-	-	425,150
Options exercised	49,999	46,499	-	(19,500)	-	-	-	26,999
Warrants exercised	26,000	18,270	-	-	(3,120)	-	-	15,150
Unrealized loss on investments	-	-	-	-	-	(66,800)	-	(66,800)
Loss and comprehensive loss	-	-	-	-	-	-	(2,474,899)	(2,474,899)
Balance, June 30, 2017	**12,769,864**	**$ 22,093,205**	**19,557,724**	**$ 2,536,936**	**$ 3,012,375**	**$ (533,150)**	**$ (27,266,836)**	**$ 19,400,254**

See accompanying notes to the condensed interim consolidated financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Northern Empire Resources Corp. (the "Company" or "Northern Empire") was incorporated on September 10, 2010 under the Canada Business Corporations Act. The Company's principal business is the acquisition and exploration of properties for the mining of precious and base metals. The Company's head office is located at 800 West Pender Street, Suite 1020, Vancouver, British Columbia, V6C 2V6.

On May 31, 2017, the Company consolidated its share capital on a 3:1 basis. All share and per share amounts have been restated to reflect the share consolidation.

The recoverability of amounts shown as mineral property interests is dependent upon the discovery of economically recoverable reserves, the Company's ability to obtain financing to develop the properties and the ultimate realization of profits through future production or sale of the properties. Realized values may be substantially different than carrying values as recorded in these financial statements.

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to continue its operation as a going concern for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. At June 30, 2017, the Company had not achieved profitable operations and had an accumulated deficit. The Company estimates it has sufficient working capital to continue operations for the upcoming year. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, exploration and development activities.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, certain disclosures in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2017.

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale and financial assets at fair value through profit or loss, which are stated at their fair values. In addition, these financial statements have been prepared using the accrual basis of accounting.

b) Basis of Consolidation

The Company consolidates its subsidiaries on the basis that it controls the subsidiaries through its ability to govern its financial and operating policies. All intercompany transactions and balances with the Company's subsidiaries have been eliminated. These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries: 1) Northern Empire de Mexico, S.A. de C.V., incorporated and located in Mexico; 2) Northern Empire Minerals Inc. ("NEM"), incorporated and located in Canada, 3) Bluestone Resources (Alaska) Inc., incorporated and located in Alaska, USA and Rockford Mining (US) Corp., incorporated and located in Nevada, USA.

2. BASIS OF PRESENTATION (Continued)

c) Approval of the Financial Statements

These consolidated financial statements were approved and authorized for issue by the Board of Directors on August 24, 2017.

d) Functional and Presentation Currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency. The functional currencies of the Company's subsidiaries do not differ from that of the parent company.

Transactions in foreign currencies are translated into the functional currency at exchange rates as at the date of the transaction. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate 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 translated using exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date of acquisition. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

e) Recent accounting pronouncements

Recent Accounting Pronouncements not yet applied:

IFRS 9 Financial Instruments ("IFRS 9") partially replaces IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective on or after January 1, 2018.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*.

IFRS 16 Leases ("IFRS 16") is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. IFRS 16 eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods. The most significant accounts that require estimates as the basis for determining the stated amounts include: mineral property interests; provision for environmental rehabilitation; inputs used in the valuation of share-based payments; and provision for deferred income tax.

Significant estimates that have the most significant effect on the amounts recognized in the financial statements are as follows:

Exploration and Evaluation Assets

The Company capitalizes mining property acquisition costs. The carrying value of the Company's mineral property is reviewed by management at least annually, or whenever events or circumstances indicate that its carrying value may not be recovered. If impairment is determined to exist, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is measured at fair value less costs to sell.

Acquisition of the Sterling Property

The Company acquired the Sterling property and related assets and liabilities through the payment of cash and issuance of shares. The Company determined the acquisition was an asset acquisition and fair value was based on the consideration provided. Based on a number of factors, the property was considered to be in the exploration stage except for the building and equipment acquired.

Provision for Environmental Rehabilitation

The Company assesses its provision for restoration, rehabilitation and environmental obligations on an annual basis or when new material information becomes available. Mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and the Company has made, and intends to make in the future, expenditures to comply with such laws and regulations. Accounting for decommissioning and restoration provisions requires management to make estimates of the future costs the Company will incur to complete the reclamation and remediation work required to comply with existing laws and regulations at each mining operation. Actual costs incurred may differ from those amounts estimated. In addition, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for reclamation and remediation. The provision represents management's best estimate of the present value of the future decommissioning and restoration provision. The actual future expenditures may differ from the amounts currently provided.

(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments

The Company uses the Black-Scholes Option Pricing Model to calculate the fair value of stock options and of common share purchase warrants issued. The model requires the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and common share purchase warrants.

Information about critical judgments in applying accounting policies that have the most significant effect of amounts recognized in the consolidated financial statements is included in the following notes:

Note 1 – going concern assessment
Note 2 – functional currency
Note 5 – exploration and evaluation assets
Note 6 – building and equipment
Note 7 – restoration, rehabilitation and environmental obligations

4. INVESTMENTS

Management records the common shares of investments as available-for-sale financial assets. As at June 30, 2017, the Company owned 250,000 common shares of Sonoro Metals Corp. ("Sonoro") valued at $27,500 with an original value of $25,000 and 668,000 common shares of Montego Resources Inc. ("Montego") valued at $167,000 with an original value of $701,400.

		Montego	**Sonoro**	**Total**
Balance, March 31, 2016	$	-	25,000	25,000
Acquired		701,400	-	701,400
Change in fair value		(467,600)	2,500	(465,100)
Balance, March 31, 2017		233,800	27,500	261,300
Change in fair value		(66,800)	-	(66,800)
Balance, June 30, 2017	$	167,000	27,500	194,500

5. EXPLORATION AND EVALUATION ASSETS

Acquisition Costs

Details of acquisition costs incurred as at June 30, 2017 are as follows:

		Sterling Property		Richardson Property		Total
Balance – March 31, 2017	$	-	$	57,187	$	57,187
Additions		13,031,492		-		13,031,492
Balance – June 30, 2017	$	13,031,492	$	57,187	$	13,088,679

(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)

5. EXPLORATION AND EVALUATION ASSETS (Continued)

Sterling Property

During fiscal 2017, the Company entered into an agreement with Sterling Gold Mining Corp. ("SGMC"), a wholly owned subsidiary of Imperial Metals Corp. to acquire certain assets located in Nevada ("NV") and California ("CA"), USA as follows:

a) a 100% interest in the Sterling property, located in Nye Counting, NV;
b) 4% NSR on the Hoodoo Canyon property in NV;
c) 3% NSR up to a limit of US$1,250,000 on the Tenabo property in NV
d) 10% net profits royalty interest on the Blue Moon property in CA

On May 31, 2017, the Company paid or accrued $13,648,130 (US$10,100,000) and issued 1,666,666 common shares of the Company valued at $1,250,000 and is obligated to issue additional common shares to SGMC to maintain its percentage ownership in the Company until the earlier of January 1, 2019 or the completion of construction financing, to a maximum of 1,666,666 additional common shares. A 2% NSR will be granted to SGMC of which a 1% NSR can be purchased for US$7,500,000. A total of $2,160,675 in deferred acquisition costs incurred to March 31, 2017 were applied to the acquisition.

The Company can elect to use specific technology developed by SGMC in effort to recover mineral from heap leach pads on the Sterling property. If elected, the Company will be required to pay SGMC; (a) full reimbursement of technology costs incurred, (b) 50% of net operating profits generated on existing pads, and (c) 10% of revenues generated on new pads. The Company has not assigned any value to the election.

The acquisition was allocated as follows:

Inventory		70,813
Reclamation bonds		4,456,318
Building and equipment		3,130,286
Exploration and evaluation assets		13,031,492
Future site reclamation provision		(5,093,858)
		15,595,051

Consideration was as follows:

Cash payments		9,191,814
Bond accrual		4,456,318
Common shares issued		1,250,000
Other		696,919
		15,595,051

Richardson Property, Alaska

On October 30, 2014, the Company entered into a property acquisition agreement with Northern Empire Minerals Inc. ("NEM"), a company related by way of a common director, to purchase a 100% interest in the Richardson Property located in Alaska subject to a 3% NSR. The Company issued 1,000,000 common shares (valued at $75,000) and was required to make advanced royalty payments of US$4,000 per month commencing November 2016 (payments current).

On March 24, 2016, the Company acquired NEM from Chilcotin Capital Corp. ("Chilcotin") in consideration for granting all of the Placer Rights back to Chilcotin and assuming liabilities of NEM of $81,198 recorded as exploration and evaluation expenditures.

(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)

5. EXPLORATION AND EVALUATION ASSETS (Continued)

Hilltop Gold Project, Alaska

On June 12, 2015, the Company signed a Definitive Agreement with Sonoro to which Sonoro has been granted the option to acquire 60% interest in the Hilltop Gold Project in Alaska. The Hilltop Gold Project is contiguous with the Richardson Property and consists of claims acquired from the Richardson Property and claims that were staked by the Company.

To exercise the option and earn 60% interest in the Hilltop Gold Project, Sonoro must pay $3,000,000 to the Company to be spent on exploration activities and issue 1,000,000 common shares of Sonoro as per the following schedule:

		Cash payments	Issuance of common shares
Within 60 days of the execution of the LOI	$	250,000*	250,000*
By December 31, 2017		500,000	250,000
By December 31, 2018		750,000	250,000
By December 31, 2019		1,500,000	250,000
Total	$	3,000,000	1,000,000

*Completed. The 250,000 common shares of Sonoro received by the Company had a fair value of $26,250 recorded as a recovery to reduce the carrying value of the Richardson Property.

During the term of the option, the Company will be the operator of the project. During the year ended March 31, 2016, the Company earned $26,165 of management fee which is based on 10% of the total exploration and evaluation expenditures on the property.

A joint venture will be formed upon Sonoro having exercised the option, which will have the right to buyout one-third of the NSR (1% NSR) for US $1,000,000.

(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)

5. EXPLORATION AND EVALUATION ASSETS (Continued)

Exploration and evaluation expenditures

Details of exploration expenditures incurred for the three months ended June 30, 2017 as follows:

	Sterling Property	Richardson Property	Hilltop Gold Property	Total
Exploration and evaluation costs:				
Camp and general	29,943	-	-	29,943
Claim fees	274,693	-	-	274,693
Field equipment and supplies	25,718	-	-	25,718
Geological consulting and other labour	-	2,400	3,600	6,000
Royalty payments	-	21,254	-	21,254
Exploration and evaluation costs	330,354	23,654	3,600	357,608

Details of exploration expenditures incurred for the three months ended June 30, 2016 as follows:

	Kiyuk Lake Property	Eric Lake and Noomut River Properties	Richardson Property	Manson Creek	Total
Exploration and evaluation costs:					
Assays	$ 679	$ -	$ -	$ -	$ 679
Camp and general	2,545	522	1,934	-	5,001
Field equipment and supplies	-	-	5,767	-	5,767
Foreign currency (gain) loss	-	-	2,446	-	2,446
Geological consulting and other labour	8,332	263	39,074	2,745	50,414
Maps, orthophotos and reports	100	-	-		100
Office	1,852	-	293	-	2,145
Permits, claims and licenses	60	-	-	-	60
Property taxes	-	-	3,530	-	3,530
Royalty payments	-	-	4,948	-	4,948
Travel, meals and accommodation	-	-	1,691	-	1,691
Exploration and evaluation costs	$ 13,568	$ 785	$ 59,683 $	$ 2,745	$ 76,781

(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)

6. BUILDING AND EQUIPMENT

On May 31, 2017, the Company acquired buildings and equipment as part of the Sterling property (Note 5).

Mine infrastructure and buildings are depreciated at 5% per annum on a declining balance basis.
Furniture and fixed and mobile equipment are depreciated at 20% per annum on a declining balance basis.

	Mine infrastructure	Buildings	Furniture and fixtures	Mobile Equipment	Total
Cost					
Additions	$ 1,587,778	$324,988	$89,388	$1,128,132	$ 3,130,286
As at June 30, 2017	$ 1,587,778	$324,988	$89,388	$1,128,132	$ 3,130,286

	Mine infrastructure	Buildings	Furniture and fixtures	Mobile Equipment	Total
Depreciation					
Additions	$ 6,616	$ 1,354	$ 1,490	$ 18,802	$ 28,262
As at June 30, 2017	$ 6,616	$ 1,354	$ 1,490	$ 18,802	$ 28,262

Net book value

	Mine infrastructure	Buildings	Furniture and fixtures	Mobile Equipment	Total
As at March 31, 2017	$ -	$ -	$ -	$ -	$ -
As at June 30, 2017	$1,581,162	$323,634	$87,898	$1,109,330	$ 3,102,024

7. RESTORATION, REHABILITATION AND ENVIRONMENTAL OBLIGATIONS

As at June 30, 2017, the Company's restoration, rehabilitation and environmental obligations are related to the dismantling and removal of the mine and equipment at the Company's Sterling property (Note 5 and 6) acquisition on May 31, 2017. The obligation was calculated using an inflation rate of 2% and a discount rate of approximately 3.34% with the assumption that the obligation would be settled in the years 2018 through 2023.

Significant closure activities include land rehabilitation, water treatment, demolition of facilities, monitoring and other costs. The amounts and timing of closure items will vary depending on the number of factors including exploration success and alternative mining plans.

A summary of transactions impacting the restoration, rehabilitation and environmental obligations is as follows:

Balance – on acquisition on May 31, 2017 (Note 5 and 6)	$	5,093,858
Accretion expense		10,333
Balance – June 30, 2017	$	5,104,191

(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)

8. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, Executive Officers and any companies owned or controlled by them.

Compensation of Key Management Personnel

Key management personnel consist of current and former directors and senior management including the former President and Chief Executive Officer. Key management personnel compensation includes:

	June 30, 2017	June 30, 2016
Consulting and management fees	$ 48,000	$ 40,957
Office, rent, salary and miscellaneous	42,000	6,000
Share-based payments	299,896	-
Professional fees	-	10,500
	$ 389,896	$ 57,457

The accounts payable and accrued liabilities of the Company include the following amounts due to related parties:

	June 30, 2017	March 31, 2017
Key management personnel	$ 81,732	$ 74,459

As at June 30, 2017, included in prepaids is $5,910 (2016: $18,000) as rent deposit to companies controlled or partially controlled by a directors.

(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)

9. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS

Capital Stock

Fiscal 2018 share transactions

On May 31, 2017, the Company consolidated its share capital on a 3:1 basis. All share and per share amounts have been restated to reflect the share consolidation.

On May 31, 2017, the Company issued 1,666,666 common shares valued at $1,250,000 to acquire the Sterling Property (Note 5).

During the three month period ended June 30, 2017, the Company issued 26,000 shares for $15,150 on the exercise of warrants and issued 49,999 shares for $26,999 on the exercise of share options.

Share purchase warrants

The following is a summary of the warrant transactions for the three months ended June 30, 2017.

March 31, 2017	Issued	Exercised	Expired	June 30, 2017	Exercise Price	Expiry Date
1,787,500	-	(23,000)	-	1,764,500	$0.60	December 11, 2017
388,333	-	(3,000)	-	385,333	$0.45	February 17, 2019
1,608,748	-	-	-	1,608,748	$0.75	January 5, 2018
2,894,950	-	-	-	2,894,950	$0.99	March 29, 2019
6,679,531	-	(26,000)	-	6,653,531	$0.80	
$0.80	-	$0.58	-		$0.80	Weighted Average Price

3,758,581 warrants outstanding as at June 30, 2017 are exercisable with a weighted average price of $0.65.

Stock options

The Company may grant stock options pursuant to a stock option plan which was established in accordance with the policies of the TSX Venture Exchange. The Board of Directors administers the Plan, pursuant to which the Board of Directors may grant from time to time incentive stock options up to an aggregate maximum of 10% of the issued and outstanding shares of the Company to directors, officers, employees, consultants and advisors. The options can be granted for a maximum of ten years. Vesting is determined by the Board of Directors.

The following is a summary of the options transactions for the three months ended June 30, 2017.

March 31, 2017	Issued	Exercised	Forfeited	June 30, 2017	Exercise Price	Expiry Date
941,667	-	(49,999)	-	891,667	$0.54	July 10, 2019
-	2,650,000	-	-	2,650,000	$0.79	June 12, 2020
941,667	2,650,000	(49,999)	-	3,541,667	$0.73	
$0.54	$0.79	$0.54	-	$0.73		Weighted Average Price

(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)

9. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

March 31, 2016	Issued	Expired	Forfeited	March 31, 2017	Exercise Price	Expiry Date
21,667	-	-	(21,667)	-	$30.00	July 25, 2016
-	941,667	-	-	941,667	$0.54	July 10, 2019
21,667	941,667	-	(21,667)	941,667	$0.54	
$30.00	$0.54	-	$30.00	$0.54		Weighted Average Price

1,006,250 stock options outstanding as at June 30, 2017 are exercisable with a weighted average exercise price of $0.70.

On June 12, 2017, the Company granted 2,650,000 stock options with a value of $1,234,425 or $0.47 per option to its directors, officers and consultants at an exercise price of $0.79 per share until June 12, 2020. The options vest 25% on grant, 25% six months after grant, 25% 12 months after grant, and 25% 24 months after grant. During the three months ended June 30, 2017, a total of $361,873 was recorded as share-based compensation.

On July 10, 2016, the Company granted 941,667 stock options with a value of $360,261 or $0.38 per option to its directors, officers and consultants at an exercise price of $0.54 per share until July 10, 2019. 333,333 of the stock options vest as follows: 10% on July 10, 2016, 15% on January 10, 2017, and 25% every six months after. 608,333 of the stock options vests as follows: 25% every six months starting January 10, 2017. During the period ended June 30, 2017, a total of $63,277 was recorded as share-based compensation.

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of options granted:

	2018	2017
Risk-free interest rate	*0.88%*	*0.47%*
Expected life of options	3.00	1.84
Expected annualized volatility	120.83%	123.70%
Expected dividend rate	0%	0%

10. CONVERTIBLE NOTES PAYABLE

During the year ended March 31, 2017, the Company issued convertible notes payable for proceeds of $5,193,900. The notes are convertible into units consisting of one common share and one half common share purchase warrant. Each whole warrant will be exercisable into one common share at a price of $0.99 per share for two years following issuance. The notes could be converted into a variable number of units and were subsequently converted on the completion of a short form prospectus (Note 15).

In connection with the above, the Company paid finder’s fees of $173,010 and issued 2,894,950 agent warrants valued at $646,308, exercisable at $0.99 per warrant until March 29, 2019.

A summary of the convertible note transaction is as follows:

Notes payable issued	$ 5,193,900
Less: issue costs	(819,318)
Add: accretion of issue costs	19,822
Balance, March 31, 2017	$ 4,394,404
Add: accretion of issue costs	601,274
Balance, June 30, 2017	4,995,678

(EXPRESSED IN CANADIAN DOLLARS, UNAUDITED)

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing transactions for the three months ended June 30, 2017 were as follows:

a) Issued common shares valued at $1,250,000 for acquisition of Sterling Property.
b) Accrued $4,456,318 in relation to acquisition of reclamation bond pursuant to Sterling Property acquisition.
c) Unrealized loss on investments of $66,800 allocated to AOCI.
d) Re-allocated $2,160,675 from deferred acquisition upon the closing of the Sterling Property acquisition.
e) Re-allocated $19,500 from Reserves to Share Capital on exercise of stock options
f) Re-allocated $3,120 from Reserves to Share Capital on exercise of warrants.

There were no significant non-cash investing and financing transactions for the period ended June 30, 2016.

12. SEGMENTED INFORMATION

The Company's operations are primarily directed towards the acquisition of mineral properties and exploration for metals in Canada, United States and Mexico.

The Company's geographic information for the three months ended June 30, 2017 and the year ended March 31, 2017 are as follows:

As at June 30, 2017		Canada		United States		Mexico		Total
Assets								
Exploration and evaluation assets	$	-	$	13,088,679		-		13,088,679
Building and equipment		-		3,102,024		-		3,102,024
Other assets		8,592,701		9,669,691		3,606		18,265,998
Total	$	8,592,701	$	25,860,394		3,606		34,456,701

As at March 31, 2017		Canada		United States		Mexico		Total
Assets								
Exploration and evaluation assets	$	-	$	57,187	$	-	$	57,187
Other assets		3,233,609		2,160,675		3,565		5,397,849
Total	$	3,233,609	$	2,217,862	$	3,565	$	5,455,036

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Fair Values

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The fair value of cash, receivables, and accounts payables and accrued liabilities approximates their carrying value due to their short-term maturity. The Company's available-for-sale investments are measured at fair value

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

with changes recorded in other comprehensive income. Cash and investments are measured using level one of the fair value hierarchy.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year.

c) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and amounts receivable. Cash is held with a major Canadian financial institution and the receivables are due from Government entities. Management is of the view that all amounts are fully collectible.

d) Interest Rate Risk

The Company is nominally exposed to interest rate risk. The Company's bank account earns interest income at variable rates. The Company's future interest income is exposed to short-term rates.

e) Political Risk

The Company has a subsidiary in Mexico. This operation is potentially subject to a number of political, economic and other risks that may affect the Company's future operations and financial position.

f) Foreign Currency Fluctuation Risk

The Company has vendors in Canada, the United States, and Mexico; therefore, the Company's operations are affected by the currency fluctuations in these jurisdictions. The Company's exposure to foreign currency fluctuations is minimal.

14. CAPITAL MANAGEMENT

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of equity comprised of issued capital stock, reserves and deficit.

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

The Company is not subject to externally imposed capital requirements.

15. SUBSEQUENT EVENTS

Subsequent to June 30, 2017 the Company:

a) Issued 26,076,698 subscription receipts through a brokered private placement at a price of $0.75 per subscription receipt for proceeds of $19,557,724. Each subscription was converted into a common share. As finder's fees, the Company issued 341,400 compensation warrants exercisable at $1.00 per common share until May 30, 2019 and paid $1,050,271. The Company has incurred financing costs of $1,470,271 to the reporting date.

b) Completed a short-form prospectus filing resulting in the conversion of convertible notes payable into 6,925,128 units (Note 10).