

Redhawk Resources, Inc.
Condensed Consolidated Interim Financial Statements
Nine Month Period Ended December 31, 2016 and 2015
(Unaudited – prepared by Management)
(Presented in Canadian Dollars)

Unaudited Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company (as hereinafter defined) discloses that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the period ended December 31, 2016.

Redhawk Resources, Inc.
Condensed consolidated interim statements of financial position
(Presented in Canadian dollars – unaudited)

	Notes	December 31, 2016	March 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents		\$ 682,198	\$ 31,266
Receivables and prepaid expenses	4	222,515	35,855
		904,713	67,121
Non-current assets			
Reclamation deposits		69,294	1,299
Property and equipment		285,160	293,111
Investment in associate	5	-	24,800,371
Exploration and evaluation assets	6	13,998,590	-
		14,353,044	25,094,781
TOTAL ASSETS		\$ 15,257,757	\$ 25,161,902
LIABILITIES			
Current liabilities			
Trade payables and accrued liabilities	7	\$ 491,586	\$ 141,947
Current portion of long-term debt – property acquisition		934,641	-
Short term debt – notes payable	8	655,465	-
Convertible debentures	14	266,387	274,320
Derivative liability	14	41,672	7,954
		2,389,751	424,221
Non-Current liabilities			
Long-term debt - notes payable	8	-	646,138
Long-term debt – property acquisition	9	1,791,392	-
TOTAL LIABILITIES		4,181,143	1,070,359
SHAREHOLDERS' EQUITY			
Share capital	10	49,779,279	49,779,279
Contributed surplus	10	11,509,152	11,507,060
Accumulated other comprehensive income	10	7,170,056	6,665,344
Deficit		(57,381,873)	(43,860,140)
TOTAL SHAREHOLDERS' EQUITY		11,076,614	24,091,543
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 15,257,757	\$ 25,161,902

Nature of operations and going concern – Note 1

ON BEHALF OF THE BOARD:

Director: “Steven C. Bastable”

Director: “J. Stephen Barley”

See accompanying notes to the condensed consolidated interim financial statements

Redhawk Resources, Inc.
Condensed consolidated interim statements of loss and comprehensive loss
(Presented in Canadian dollars – unaudited)

	Three month period ended		Nine month period ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Expenses				
Director fees	\$ 24,000	\$ 3,273	\$ 24,000	\$ 3,273
Filing fees	8,451	7,917	17,228	29,597
Insurance	8,046	5,542	16,046	22,792
Investor relations	70	190	819	4,648
Management and consulting fees	58,916	95,973	186,082	237,220
Office and sundry	11,669	9,205	32,648	42,997
Professional fees	47,226	21,706	103,538	92,879
Project generation	46,759	26,243	81,219	64,369
Rent	432	4,564	6,399	12,562
Share-based compensation	-	10,649	1,363	75,653
Transfer agents	8,640	3,979	15,416	11,744
Travel and accommodations	1,155	(86)	3,817	10,806
Total expenses	(215,364)	(189,155)	(488,575)	(608,540)
Interest expense	(7,242)	-	(21,498)	-
Foreign exchange gain (loss)	(6,610)	(11,017)	(9,927)	(16,233)
Management fee income (Note 5)	-	68,211	95,559	68,211
Mark to market adjustment on US dollar denominated warrants	-	(49)	2,631	(1,599)
Impairment	(112,465)	-	(13,099,923)	-
Net loss for period	\$ (341,681)	\$ (132,010)	\$ (13,521,733)	\$ (558,161)
Other comprehensive income				
Items that may be reclassified subsequently to net income				
Exchange differences on translating foreign operations	637,792	950,436	504,712	2,257,848
Total comprehensive income / (loss)	\$ 296,111	\$ 818,426	\$ (13,017,021)	\$ 1,699,687
Loss per share – basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.09)	\$ (0.00)
Weighted average number of common shares outstanding	157,698,138	157,698,138	157,698,138	157,698,138

Redhawk Resources, Inc.
Condensed consolidated interim statements of changes in equity
(Presented in Canadian dollars - unaudited)

	Share capital		Contributed surplus	Accumulated other comprehensive income	Deficit	Total
	Number of shares	Amount				
Balance at March 31, 2015	157,698,138	\$ 49,779,279	\$ 11,422,492	\$ 6,049,295	\$ (43,183,641)	\$ 24,067,425
Shares issued for cash - options exercised	-	-	-	-	-	-
Warrants	-	-	6,412	-	-	6,412
Share-based compensation	-	-	75,653	-	-	75,653
Currency translation adjustment	-	-	-	2,257,848	-	2,257,848
Loss for the period	-	-	-	-	(558,161)	(558,161)
Balance at December 31, 2015	157,698,138	\$ 49,779,279	\$ 11,504,557	\$ 8,307,143	\$ (43,741,802)	\$ 25,849,177
Balance at March 31, 2016	157,698,138	\$ 49,779,279	\$ 11,507,060	\$ 6,665,344	\$ (43,860,140)	\$ 24,091,543
Warrants	-	-	729	-	-	729
Share-based compensation	-	-	1,363	-	-	1,363
Currency translation adjustment	-	-	-	504,712	-	504,712
Loss for the period	-	-	-	-	(13,521,733)	(13,521,733)
Balance at December 31, 2016	157,698,138	\$ 49,779,279	\$ 11,509,152	\$ 7,170,056	\$ (57,381,873)	\$ 11,076,614

Redhawk Resources, Inc.
Condensed consolidated interim statements of cash flows
(Presented in Canadian dollars - unaudited)

	Nine month period ended	
	December 31,	
	2016	2015
Operating activities		
Loss for the period	\$ (13,521,733)	\$ (558,161)
Adjustments for non-cash items:		
Depreciation	17,429	17,191
Share-based payments	1,363	75,653
Fair value of broker warrants	-	6,413
Share of net loss of associates	-	-
Impairment	13,099,923	-
Interest expense	21,498	-
Changes in non-cash working capital items:		
Receivables and prepaid expenses	2,931	14,097
Trade payables and accrued liabilities	297,309	(22,622)
Net cash flows used in operating activities	(81,280)	(467,429)
Investing activities		
Cash on purchase (Note 5)	558,475	-
Expenditures on exploration and evaluation assets	69,513	-
Investment in associate	63,706	-
Reclamation bon	20,006	-
Net cash flows provided by investing activities	711,700	-
Financing activities		
Convertible debentures, net	(29,432)	252,195
Derivative liability	34,448	29,558
Net cash flows received from financing activities	5,016	281,753
Currency impact on cash and cash equivalents	15,496	44,181
Increase / (decrease) in cash and cash equivalents	650,932	(141,495)
Cash and cash equivalents, beginning	31,266	192,461
Cash and cash equivalents, ending	\$ 682,198	\$ 50,966

1. Nature of operations and going concern

Redhawk Resources, Inc. (the "Company") and its wholly owned subsidiaries, Redhawk Copper, Inc. Copper Creek Project, LLC and Redhawk Resources (USA), Inc., are engaged principally in the acquisition, exploration and development of resource property in the U.S.A.

The head office and principal address of the Company is located at Suite 610, 700 West Pender Street, Vancouver, British Columbia, Canada, V6C 1G8. The Company's registered and records office address is Suite 2600, 1066 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3X1.

Going concern

These condensed consolidated interim financial statements have been prepared as applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Several adverse conditions cast significant doubt upon the validity of this assumption. Consistent with other entities in the exploration stage, the Company has incurred operating losses since inception, has no source of revenue, is unable to self-finance operations, and has significant cash requirements to meet its overhead and continue its exploration activities. As at December 31, 2016, the Company's working capital was negative \$1,485,038.

The Company's ability to meet its administrative expenses and complete its planned exploration and development activities is dependent upon management's ability to secure additional financing. While management has been successful in obtaining funding in the past, there can be no assurance that it will be able to do so in the future. If the going concern assumption was not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used, and such adjustments would be material.

2. Statement of compliance

These condensed consolidated interim financial statements were authorized for issue on February 8, 2017, by the directors of the Company.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended March 31, 2016.

The condensed consolidated interim financial statements do not include all of the information and note disclosures required for full annual financial statements and should be read in conjunction with the Company's annual financial statements as at and for the year ended March 31, 2016.

Basis of preparation

The consolidated financial statements of the Company have been prepared on the accruals basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted. The financial statements of the Company reflect the consolidation of the financial results and period end financial accounts of the wholly owned entities – Redhawk Copper Inc., Copper Creek Project LLC, and Redhawk Resources (USA) Inc.

3. Summary of significant accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with the accounting policies described in Note 3 of the Company's Annual Financial Statements as at and for the year ended March 31, 2016. Accordingly, these condensed consolidated interim statements for the nine month period ended December 31, 2016, and 2015 should be read together with the Annual Financial Statements as at, and for the year ended March 31, 2016.

4. Receivables and prepaid expenses

	December 31, March 31,	
	2016 2016	
Value-added tax receivables	\$ 8,289	\$ 4,186
Prepays	214,226	31,669
	\$ 222,515	\$ 35,855

5. Investment in associate – Copper Creek Project LLC

The associate of the Company as at December 31, 2016, was Copper Creek Project LLC ("CCP"), a Limited Liability Corporation incorporated on August 26, 2014, in Delaware, USA.

In 2014, Anglo American US Holdings Inc. ("Anglo Holdings"), entered into an agreement with RDK Copper and Copper Creek Project LLC ("CCP"). The agreement provided for exploration and development efforts on the Copper Creek copper- molybdenum property located in San Manuel, Arizona, USA.

Under the agreement Redhawk transferred into CCP the Copper Creek Project along with certain related assets and liabilities. Anglo Holdings then had a 60% interest in CCP and had to fund expenditures of US\$44 million on the Project, at their option.

On October 28, 2016, Anglo American provided the Company with notice of a voluntary withdrawal as a member of CCP, effective as of that date. Anglo Holdings had spent US\$6,641,632.

As such the entire 60% ownership interest of Anglo in CCP transferred back to the Company. Anglo Holdings will no longer have any rights, title, interest or claim in CCP. Reclamation on BLM and private lands has been completed and bonds are in the process of being returned.

As well, under the terms of the agreement, Anglo Holdings remained responsible for ensuring the funding of CCP in order to have CCP discharge property payments due within 90 days from Anglo Holding's notice of withdrawal. The sum of the property payments in this 90-day period was US\$ 596,091 which has been funded by Anglo Holdings and the CCP has received these funds. In addition, Anglo, has provided additional funding for certain administrative costs, including the estimated fees for the audit of CCP as at December 31 2016. These funds are reflected in the consolidated cash balances of the Company as at December 31 2016.

5. Investment in associate – Copper Creek Project LLC (cont’d)

On October 28, 2016, the Company owned 100% of the Copper Creek Project LLC. The assets and liabilities on that date were as follows:

	October 28, 2016 Stated in USD
Current assets	\$ 1,054,752
Non-current assets	<u>10,064,839</u>
Total Assets	\$ 11,119,591
Current liabilities	\$ 721,640
Non-current liabilities	<u>1,367,070</u>
Total Liabilities	\$ 2,088,710

6. Exploration and evaluation assets

On December 31, 2016, the Company owned 100% of the Copper Creek Project with a recorded value of \$13,998,590 CDN. The Company is now obligated for liabilities related to the property(ies) as disclosed in Note 9.

a) Copper Creek Agreement

On September 17, 2010, the Company entered into a Royalty Purchase and Sale Agreement (the “Agreement”) with AMT (USA) Inc. (“AMT”) to buy out the advance royalty and the 2.25% Net Smelter Royalty retained by AMT as part of the original Copper Creek property acquisition for \$1,250,000. The Agreement has now been paid in full.

AMT, under the Notice of Termination of Advance Royalty Interest and Royalty Interest, dated September 17, 2012, has irrevocably and unconditionally released the Company from any and all claims on this property.

b) D & G Mining Agreement

In November 2005, the Company entered into a lease-to-purchase agreement with a third party for additional property within the Copper Creek boundaries. The Company paid US\$80,000 in both 2006 and 2007 and was required to pay US\$100,000 in November 2008 and annually thereafter until the end of year fifteen. The Company is current with all payments.

The Company has the option to purchase the property for US\$1,600,000 with the purchase price increasing by US\$200,000 per year until year fifteen. All yearly lease payments made prior to exercising the option to purchase will be applied against the purchase price in the event that the Company exercises its property purchase option.

6. Exploration and evaluation assets (cont'd)

c) Freeport –McMoRan Agreement

In April 2007, the Company entered into a purchase agreement with Freeport-McMoRan Copper & Gold Inc. (“Freeport”) to acquire additional mining claims within the Copper Creek boundaries. The purchase price for the property was US \$3,200,000, payable by a deposit of US \$500,000 (paid), and delivery of a promissory note for US \$2.7 million. The additional mining claims are subject to a 1% Net Smelter Return royalty. (See Note 9)

d) Bell and Morgan Agreements

In December 2012, the Company acquired patented land from two unrelated parties for total consideration of US \$1.2 million payable by deposits of US \$100,000 (paid) and the balance to be paid under the agreements. (See Note 9)

7. Trade payables and accrued liabilities

	December 31, 2016	March 31, 2016
Trade payables	\$ 135,501	\$ 7,068
Amounts due to related parties (Note 11)	324,170	90,867
Accrued liabilities	31,915	44,012
	<u>\$ 491,586</u>	<u>\$ 141,947</u>

8. Short term debt – notes payable

	December 31, 2016	March 31, 2016
Amounts due to suppliers	\$ 206,780	\$ 204,515
Amounts due to related parties (Note 11)	448,685	441,623
	<u>\$ 655,465</u>	<u>\$ 646,138</u>

The Company has indebtedness to a number of officers, current and previous directors and advisors. The indebtedness has arisen principally from cash payments being made for less than the accrued and recorded liabilities for services provided. The notes payable are a summary of these obligations, and have the following attributes:

- (1) To be paid in full on December 31, 2017;
- (2) Non-interest bearing;
- (3) The notes may be used as partial or full payment under any future private placement of the Company’s common shares. This may be before December 31, 2017. If so used, the amount will then be deemed to be a payment on the principal amount of the note.

As at March 31, 2016, the notes payable were long term.

Redhawk Resources, Inc.
Notes to the Condensed Consolidated Interim Financial Statements
(Presented in Canadian dollars)
For the nine month period ended December 31, 2016 and 2015

9. Long term debt – property acquisition

	December 31, 2016		March 31, 2016	
	USD	CAD	USD	CAD
Long term debt	<u>1,334,171</u>	<u>\$ 1,791,392</u>	-	\$ -

- a) In conjunction with the Company's acquisition of mining claims from Freeport, the Company entered into a promissory note. The promissory note is repayable over 12 years and bears interest at 5% per annum. (Note 6c)

The payment schedule as at December 31, 2016 is as follows (USD):

	Date	Principal
	April 2016	124,695.00
	April 2017	130,929
	April 2018	137,476
	Balance due beyond 5 years	<u>1,041,072</u>
	Total debt	US\$ 1,434,172
	Current portion of long term debt	<u>(200,000)</u>
	Long term debt	US\$ <u>1,234,172</u>

- b) In December 2012, the Company acquired patented land from unrelated parties in Pinal County, Arizona under two separate agreements for sale with the following terms of payment: (Note 6d)

i) Bell Agreement:

	Date	Principal
	December 2016	<u>300,000.00</u>
		US\$ 300,000.00
	Accrued interest	<u>146,091.00</u>
	Total debt	US\$ 446,091.00
	Current portion of long term debt	- <u>446,091.00</u>
	Long term debt	US\$ <u>-</u>

In addition, interest will be payable at the rate of 6% compounded semi-annually

Subsequent to December 31 2016, the Bell agreement amount of \$446,091 was paid in full on January 4, 2017.

Redhawk Resources, Inc.
Notes to the Condensed Consolidated Interim Financial Statements
(Presented in Canadian dollars)
For the nine month period ended December 31, 2016 and 2015

9. Long-term debt (cont'd)

ii) Morgan Agreement:

<u>Date</u>	<u>Principal</u>
December 2017	50,000
December 2018	50,000
December 2019	50,000
Total debt	US\$ 150,000
Current portion of long term debt	(50,000)
Long term debt	US\$ <u>100,000</u>

No interest payable under this agreement

10. Share capital and contributed surplus

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At December 31, 2016, there were 157,698,138 issued and fully paid common shares (March 31, 2016 – 157,698,138).

Warrants

At December 31, 2016, there were 191,500 warrants issued and outstanding with an exercise price of \$0.055 (March 31, 2016 – 191,500 with an exercise price of \$0.055).

The following table summarizes information about the granted and outstanding warrants during the nine month period ended December 31, 2016, and the year ended March 31, 2016:

	<u>December 31, 2016</u>		<u>March 31, 2016</u>	
	<u>Number of warrants</u>	<u>Weighted average exercise price</u>	<u>Number of warrants</u>	<u>Weighted average exercise price</u>
Warrants outstanding, beginning of period	191,500	\$ 0.055	420,000	\$ 0.35
Warrants granted	-	-	191,500	\$0.055
Warrants expired	-	-	(420,000)	0.35
Warrants outstanding, end of period	191,500	\$ 0.055	191,500	\$ 0.055

10. Share capital and contributed surplus (cont'd)

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, at its discretion, and in accordance with the TSX requirements, grant to directors, officers, employees and technical consultants of the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance is a fixed total of 27,705,457. Such options will be exercisable for a period of up to five years from the date of grant. The Board of Directors has the discretion to impose vesting periods on any options granted and, as such, options typically vest in accordance with the following schedule: 25% on date of grant and 12.5% on each of the three, six, nine, twelve, fifteenth and eighteen month anniversaries of the date of grant.

The changes in options during the period ended December 31, 2016, and the year ended March 31, 2016, are as follows:

	December 31, 2016		March 31, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning of period	11,775,000	\$ 0.06	12,410,000	\$ 0.47
Options granted	-	-	11,325,000	0.05
Options cancelled/expired	(350,000)	0.31	(11,960,000)	0.47
Options outstanding, end of period	11,425,000	\$ 0.06	11,775,000	\$ 0.06
Options exercisable, end of period	10,021,875	\$ 0.06	4,696,875	\$ 0.08

Details of options outstanding as at December 31, 2016, are as follows:

Weighted average exercise price	Weighted average contractual life	Number of options outstanding	Number of options exercisable
\$0.05 - \$0.25	3.70 years	11,225,000	9,821,875
\$0.26 - \$0.35	1.80 years	200,000	200,000
	3.67 years	11,425,000	10,021,875

During the nine month period ended December 31, 2016, and 2015, the Company recorded share-based compensation of \$1,363 (2015 - \$76,653) relating to options vested during the period.

During the nine month period ended December 31, 2016, 350,000 options expired unexercised.

10. Share capital and contributed surplus (cont'd)

Contributed surplus

Stock option

The stock option contributed surplus records items recognized as share-based payments until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

Warrant

The warrant contributed surplus records items recognized as part of a unit financing until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

11. Related party transactions

Related party balances

The following amounts due to related parties are included in liabilities:

	December 31, 2016	March 31, 2016
Directors and officers of the Company - trade	324,170	90,867
Directors and officers of the Company - long term notes payable	-	441,623
Directors and officers of the Company - short term notes payable	448,685	-
	\$ 772,855	\$ 532,490

Key management compensation ²

	Nine month period ended	
	December 31, 2016	December 31, 2015
Management fees	\$ 303,486	\$ 210,823
Consulting	-	\$ 15,600
Director fees	24,000	\$ 3,273
Share-based compensation	1,363	47,260
	\$ 328,849	\$ 276,956

Key management is considered to be the Executive Chairman, Chief Executive Officer, Chief Financial Officer and Directors.

12. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

12. Financial risk management (cont'd)

Credit risk (cont'd)

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents, short-term investments held in bank accounts and reclamation bonds. The majority of cash and short-term deposits are held with major banks in Canada and U.S.A. This credit risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies.

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 has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company attempts to ensure there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. The exposure for trade payables and accrued liabilities is considered insignificant.

Historically, the Company's main source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. For further information, related to liquidity refer to Note 1.

The table below analyses the group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at December 31, 2016	Less than 1 year	1-2 years	2-5 years	Over 5 years
Trade payables and accrued liabilities	491,586	-	-	-
Current portion long term debt - property acquisition	934,641	-	-	-
Short-term debt - notes payable	655,465	-	-	-
Convertible debenture	266,387	-	-	-
Derivative liability	41,672	-	-	-
Long-term debt - property acquisition	-	1,791,392	-	-
Total	2,389,751	1,791,392	-	-

As at March 31, 2016	Less than 1 year	1-2 years	2-5 years	Over 5 years
Trade payables and accrued liabilities	141,947	-	-	-
Convertible debenture	256,122	-	-	-
Derivative liability	7,954	-	-	-
Long-term debt – notes payable	-	646,138	-	-
Total	406,023	646,138	-	-

Foreign exchange risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Company's functional currency. The Company does not hedge its exposure to fluctuations in exchange rates.

The Company operates internationally with offices and operations in the US, which gives rise to the risk that its financial instruments may be adversely impacted by exchange rate fluctuations. A portion of the

12. Financial risk management (cont'd)

Company's expenses are incurred in US dollars. The Company is also exposed to foreign exchange risk in relation to debt held in USD.

A significant change in the currency exchange rate between the US dollar relative to the Canadian dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not entered into foreign currency contracts to hedge its risk against foreign currency fluctuations.

Financial assets and liabilities that are denominated in US dollars are as follows:

	December 31, 2016	March 31, 2016
Cash and cash equivalents	\$ 709,260	\$ 31,048
Accounts receivable and prepaid	204,590	-
Trade payables and accrued liabilities	(1,175,732)	(50,047)
Short-term debt	(284,653)	-
Convertible loan	(287,338)	(277,922)
Long-term debt	(1,791,391)	(275,324)
	\$ (2,625,264)	\$ (572,245)

Based on the above net exposures, as at December 31, 2016, a 10% change in the US dollar to Canadian dollar exchange rate would impact the Company's net loss by \$262,526.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risks because the long term debt agreements are comprised of non-interest bearing notes payable (See Note 8).

Capital Management

The capital structure of the Company consists of shareholders' equity.

The Company is not subject to any externally imposed capital requirements.

Fair value

The Company's financial instruments consist of cash and cash equivalents, short term investments, reclamation bonds, long term debt and trade payables and accrued liabilities. The fair value of cash and cash equivalents, short term investments and reclamation bonds approximates their carrying value due to their short term maturity. The fair value of long term debt, trade payables and accrued liabilities may be less than the carrying value as a result of the Company's credit and liquidity risk (Note 1).

IFRS establishes a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 – Quoted prices in active markets for the same instrument.

Level 2 – Valuation techniques for which significant inputs are based on observable market data.

Level 3 – Valuation techniques for which any significant input is not based on observable market data.

13. Segmented information

Operating segments

The Company operates in a single reportable operating segment – the acquisition and exploration of mineral properties.

Geographic segments

The Company's non-current assets are located in the following countries:

	As at December 31, 2016		
	Canada	U.S.	Total
Reclamation deposits	\$ -	\$ 69,294	\$ 69,294
Property and equipment	-	285,160	285,160
Exploration and evaluation assets	-	13,998,590	13,998,590
	\$ -	\$ 14,353,044	\$ 14,353,044

	As at March 31, 2016		
	Canada	U.S.	Total
Reclamation deposits	\$ -	\$ 1,299	\$ 1,299
Property and equipment	-	293,111	293,111
Investment in associate (Note 5)	-	24,800,371	24,800,371
	\$ -	\$ 25,094,781	\$ 25,094,781

14. Convertible debentures

On August 25, 2015, the Company closed a non-brokered private placement of 214 convertible debentures at a price of US\$1,000 per debenture and raised gross proceeds of US\$214,000 (CDN\$296,196). The debentures accrued interest at 10% per annum and matured one year from the closing date. Commencing one day following the closing date, until close of business on the maturity date, the principal amount of the debentures was convertible, at the option of the holder, into units of the Company at a price of \$0.05 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitled the holder to subscribe for an additional share at the price of \$0.07 per share for two years from the closing date.

In connection with the private placement the Company issued 191,500 broker warrants and paid a cash finder's fee. Each broker warrant entitled the holder to acquire one common share of the Company at an exercise price of \$0.055 until August 24, 2017.

Effective August 23, 2016, the terms of the Debentures were amended as follows:

- The maturity date is extended from August 24, 2016, to August 24, 2017
- The conversion price of the Units is reduced from \$0.05 per Unit to \$0.045 per Unit
- The exercise price of the warrants is reduced from \$0.07 to \$0.06
- The interest rate of the Debentures increased to 12% effective August 24, 2016
- The warrants expiry date is extended to August 24, 2019

The Company has received all necessary approval for the amendments.

14. Convertible debentures (cont'd)

As the convertible debentures are denominated in US dollars and are contingently convertible into common shares denominated in Canadian dollars, the conversion feature is a derivative liability. The derivative liability is measured at fair value with a recognition of changes in fair values included in the statement of loss and comprehensive loss. The Company has measured the fair value of the derivative liability. At December 31, 2016, the Company determined the fair value of the derivative component of the convertible debentures to be \$41,672.

The statement of financial position discloses in the current liability section two components of the convertible debentures obligation, for a total liability of \$308,059, including \$39,696 in accrued interest. This disclosed liability is the total of funds raised less costs related to the financing.

15. Subsequent events

On January 4, 2017, the Company paid in full the Bell property acquisition payment in the amount of US\$446,091.