

**MINNOVA CORP.  
CONDENSED INTERIM  
FINANCIAL STATEMENTS**

**FOR THE THREE AND SIX MONTHS ENDED**

**SEPTEMBER 30, 2016 AND 2015**

**(UNAUDITED)**

(Expressed in Canadian Dollars)

**NOTICE TO READER**

The accompanying unaudited condensed interim financial statements of Minnova Corp. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements as at and for the three and six months ended September 30, 2016, have not been reviewed by the Company's auditors.

**MINNOVA CORP.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(UNAUDITED)  
(Expressed in Canadian Dollars)

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	September 30, 2016	March 31, 2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 38,456	\$ 316,939
Amounts receivable	114,792	121,840
Prepaid expenses	87,519	66,462
<b>TOTAL CURRENT ASSETS</b>	<b><u>240,767</u></b>	<b><u>505,241</u></b>
<b>NON-CURRENT ASSETS</b>		
Restricted cash equivalents (Note 3)	75,000	75,000
Equipment (Note 4)	252,608	259,085
Exploration properties and deferred exploration expenditures (Note 5)	14,422,940	14,297,145
<b>TOTAL NON-CURRENT ASSETS</b>	<b><u>14,750,548</u></b>	<b><u>14,631,230</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 14,991,315</u></b>	<b><u>\$ 15,136,471</u></b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Notes 6 and 12)	\$ 1,410,814	\$ 2,156,191
Hydro contract accrual	277,533	277,533
Flow-through premium liability	21,010	67,318
Debentures (Note 7)	413,614	1,526,165
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>2,122,971</u></b>	<b><u>4,027,207</u></b>
<b>NON-CURRENT LIABILITIES</b>		
Provision for closure and reclamation (Note 8)	3,336,990	3,373,948
<b>TOTAL LIABILITIES</b>	<b><u>5,459,961</u></b>	<b><u>7,401,155</u></b>
<b>EQUITY</b>		
Share capital (Note 9(b))	17,476,223	14,782,747
Share-based payment reserves (Note 10)	1,472,771	1,267,291
Deficit	(9,417,640)	(8,314,722)
<b>TOTAL EQUITY</b>	<b><u>9,531,354</u></b>	<b><u>7,735,316</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>\$ 14,991,315</u></b>	<b><u>\$ 15,136,471</u></b>
<b>NATURE OF OPERATIONS AND GOING CONCERN (Note 1)</b>		
<b>COMMITMENTS AND CONTINGENCIES (Notes 3, 5, 8,13 and 14)</b>		
<b>SUBSEQUENT EVENTS (Note 15)</b>		

See accompanying notes to the unaudited condensed interim financial statements

**MINNOVA CORP.**

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**CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(UNAUDITED)

(Expressed in Canadian Dollars)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2016	2015	2016	2015
<b>EXPENSES</b>				
Loss on debt settlement with shares (Note 9(b)(i)(ii))	\$ 303,653	\$ -	\$ 1,165,126	\$ -
Stock-based payments (Note 10(a)(i))	217,316	-	217,316	-
General and administrative (Note 11)	52,894	15,758	70,065	42,974
Management and directors' compensation (Note 12(b))	32,000	47,000	64,000	94,000
Professional and consulting fees (Note 12(a))	41,356	33,387	99,362	62,592
Amortization (Note 4)	<u>3,238</u>	<u>3,409</u>	<u>6,477</u>	<u>6,818</u>
<b>LOSS BEFORE BELOW ITEMS</b>	<b><u>(650,457)</u></b>	<b><u>(99,554)</u></b>	<b><u>(1,622,346)</u></b>	<b><u>(206,384)</u></b>
Reversal of flow-through premium liability	6,101	-	46,308	-
Gain on write-off of accounts payable (Note 6)	528,097	-	528,097	-
Finance cost (Notes 7 and 8)	<u>(17,983)</u>	<u>(49,448)</u>	<u>(54,977)</u>	<u>(100,988)</u>
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b><u>\$ (134,242)</u></b>	<b><u>\$ (149,002)</u></b>	<b><u>\$ (1,102,918)</u></b>	<b><u>\$ (307,372)</u></b>
Net loss per common share - basic and diluted	\$ (0.01)	\$ (0.01)	\$ (0.05)	\$ (0.02)
Weighted average number of shares outstanding - basic and diluted	21,672,396	15,428,253	20,636,669	15,428,243

See accompanying notes to the unaudited condensed interim financial statements

**MINNOVA CORP.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
(UNAUDITED)  
(Expressed in Canadian Dollars)

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	<b>Six Months Ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (1,102,918)	\$ (307,372)
Items not involving cash:		
Amortization	6,477	6,818
Accretion of provision for closure and reclamation	17,528	27,985
Loss on debt settlement with shares	1,165,126	-
Gain on write-off of accounts payable	(528,097)	-
Reversal of flow-through premium liability	(46,308)	-
Interest expense	37,449	73,003
Stock-based payments	217,316	-
	<u>(233,427)</u>	<u>(199,566)</u>
Changes in non-cash working capital balances:		
Decrease in amounts receivable	7,048	30,513
Increase in prepaid expenses	(21,057)	(3,871)
Increase in accounts payable and accrued liabilities	127,443	102,900
	<u>113,434</u>	<u>129,542</u>
<b>Cash flows used in operating activities</b>	<b><u>(119,993)</u></b>	<b><u>(70,024)</u></b>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Increase in exploration properties and deferred exploration expenditures	<u>(175,755)</u>	<u>(7,062)</u>
<b>Cash flows from investing activities</b>	<b><u>(175,755)</u></b>	<b><u>(7,062)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of broker warrants	17,265	-
<b>Cash flows from financing activities</b>	<b><u>17,265</u></b>	<b><u>-</u></b>
Decrease in cash and cash equivalents	(278,483)	(77,086)
Cash and cash equivalents, beginning of period	316,939	79,819
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 38,456</u></b>	<b><u>\$ 2,733</u></b>
<b>Supplemental Information:</b>		
Cash, end of year	\$ 38,456	\$ 2,733
Cash equivalents, end of period	-	-
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 38,456</u></b>	<b><u>\$ 2,733</u></b>
Change in accrued property expenditures	\$ (4,526)	\$ 52,938

See accompanying notes to the unaudited condensed interim financial statements

**MINNOVA CORP.****CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**

(UNAUDITED)

(Expressed in Canadian Dollars)

	<u>Share Capital</u>		<u>Share-based Payment Reserves</u>			<u>Total</u>
	<u>Number</u>	<u>Amount</u>	<u>Stock options</u>	<u>Share purchase warrant reserve</u>	<u>Deficit</u>	
<b>Balance, March 31, 2015</b>	<b>15,428,253</b>	<b>\$ 14,105,280</b>	<b>\$ 854,017</b>	<b>\$ 339,000</b>	<b>\$ (7,714,241)</b>	<b>\$ 7,584,056</b>
Stock options expired	-	-	(26,250)	-	26,250	-
Loss for the period	-	-	-	-	(307,372)	(307,372)
<b>Balance, September 30, 2015</b>	<b><u>15,428,253</u></b>	<b><u>\$ 14,105,280</u></b>	<b><u>\$ 827,767</u></b>	<b><u>\$ 339,000</u></b>	<b><u>\$ (7,995,363)</u></b>	<b><u>\$ 7,276,684</u></b>
<b>Balance, March 31, 2016</b>	<b>18,117,153</b>	<b>\$ 14,782,747</b>	<b>\$ 854,874</b>	<b>\$ 412,417</b>	<b>\$ (8,314,722)</b>	<b>\$ 7,735,316</b>
Common shares issued for settlement of debt	4,160,715	2,665,125	-	-	-	2,665,125
Common shares issued upon exercise of broker warrants	43,500	17,265	-	-	-	17,265
Reclassification of fair value of broker warrants	-	11,836	-	(11,836)	-	-
Transaction costs	-	(750)	-	-	-	(750)
Stock-based payments	-	-	217,316	-	-	217,316
Loss for the period	-	-	-	-	(1,102,918)	(1,102,918)
<b>Balance, September 30, 2016</b>	<b><u>22,321,368</u></b>	<b><u>\$ 17,476,223</u></b>	<b><u>\$ 1,072,190</u></b>	<b><u>\$ 400,581</u></b>	<b><u>\$ (9,417,640)</u></b>	<b><u>\$ 9,531,354</u></b>

See accompanying notes to the unaudited condensed interim financial statements

## **1. NATURE OF OPERATIONS AND GOING CONCERN**

Minnova Corp. (the "Company") was a public company incorporated on July 19, 1994 pursuant to the laws of the Companies Act of Barbados. Since the Company's management and the principal office of the Company are located in Toronto, Ontario, a continuance (the "Continuance") of the Company from the laws of Barbados to the laws of the Province of Ontario was filed on April 21, 2010. As a result of the Continuance, the corporate legislation that governs the Company ceased to be the Barbados Act and the Company is now governed by the Business Corporations Act (Ontario). The registered office of the Company is located at 365 Bay Street, Suite 400, Toronto, Ontario, M5H 2V1. On June 26, 2014, the Company changed its name to "Minnova Corp." and commenced trading on the Toronto Stock Venture Exchange ("TSX-V") on June 27, 2014 under the new symbol "MCI".

The Company's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In order for the Company to carry out its exploration activities, the Company is required to hold certain permits. There is no assurance that the Company's existing permits will be renewed or that new permits that have been or will be applied for will be granted.

Major expenditures are required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. The recoverability of valuations assigned to exploration properties and deferred exploration expenditures is dependent upon discovery of economically recoverable reserves, the ability to obtain necessary financing to complete development and future profitable production or proceeds from disposition.

Although the Company has taken steps to verify title to exploration properties in which it has an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to other licensing requirements or regulations, social licensing requirements unregistered prior agreements, unregistered claims, aboriginal land claims and non-compliance with regulatory requirements.

In order to meet future expenditures and cover administrative costs, the Company will need to raise additional financing. The Company has a working capital deficiency of \$1,882,204 and a deficit of \$9,417,640 as at September 30, 2016 and will require additional financing to fund its continuing exploration efforts. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms acceptable to the Company. These unaudited condensed interim financial statements have been prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities in the normal course of business. In the event the Company is not able to obtain adequate funding, there is uncertainty as to whether the Company will be able to maintain its property interests. These unaudited condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Such adjustments could be material. Changes in future conditions could require material write downs of the carrying values of certain assets.

## **2. BASIS OF PREPARATION**

### **Statement of Compliance:**

These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by 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 applied in these unaudited condensed interim financial statements are based on IFRS issued and outstanding as at November 29, 2016, the date the Board of Directors approved these unaudited condensed interim financial statements for issue. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended March 31, 2016. Any subsequent changes to IFRS that are issued and effective as at March 31, 2017 could result in a restatement of these unaudited condensed interim financial statements.

### **Change in Accounting Policies:**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after March 31, 2016. The following new standards have been adopted:

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. At April 1, 2016, the Company adopted this pronouncement and there was no material impact on the Company's unaudited condensed interim financial statements.

### **Recent Accounting Pronouncements:**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after April 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"). 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. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

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

### 3. RESTRICTED CASH EQUIVALENTS

The Company has guaranteed by pledge of a guaranteed investment certificate an irrevocable standby letter of credit for \$75,000 to the Government of Manitoba as a financial assurance guarantee in connection with the PL Property closure plan (see Note 8).

### 4. EQUIPMENT

#### Cost

	Buildings
<b>Balance, March 31, 2016 and September 30, 2016</b>	<b>\$ 305,096</b>

#### Accumulated Amortization

	Buildings
<b>Balance, March 31, 2016</b>	<b>\$ 46,011</b>
Amortization for the period	6,477
<b>Balance, September 30, 2016</b>	<b>\$ 52,488</b>

#### Carrying Amount

	Buildings
<b>Balance, March 31, 2016</b>	<b>\$ 259,085</b>
<b>Balance, September 30, 2016</b>	<b>\$ 252,608</b>

During the three and six months ended September 30, 2016, the Company expensed \$3,238 and \$6,477, respectively, in amortization to the unaudited condensed interim statement of operations and comprehensive loss (2015 - \$3,409 and \$6,818, respectively).



## 5. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

As at September 30, 2016

	March 31, 2016	Additions	Changes for closure and reclamation	September 30, 2016
<i>Exploration and Evaluation Properties</i>				
Nokomis Property	\$ 2,556,993	\$ 79,624	\$ -	\$ 2,636,617
PL Property	11,740,152	238	45,933	11,786,323
	<b>\$ 14,297,145</b>	<b>\$ 79,862</b>	<b>\$ 45,933</b>	<b>\$ 14,422,940</b>

As at March 31, 2016

	March 31, 2015	Additions	Changes for closure and reclamation	March 31, 2016
<i>Exploration and Evaluation Properties</i>				
Nokomis Property	\$ 2,487,993	\$ 69,000	\$ -	\$ 2,556,993
PL Property	11,907,013	230,121	(396,982)	11,740,152
	<b>\$ 14,395,006</b>	<b>\$ 299,121</b>	<b>\$ (396,982)</b>	<b>\$ 14,297,145</b>

### Maverick Properties (Nokomis and PL)

The Company owns a 100% interest in the Nokomis and PL properties, located in Manitoba, subject to a 3% net smelter royalty (NSR) that reduces to 2.5% and 2% if gold is below US\$1,000/oz and US\$750/oz, respectively.

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## 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30, 2016	March 31, 2016
Trade payables	\$ 817,863	\$ 1,618,656
Accrued and payroll liabilities	592,951	537,535
<b>Total</b>	<b>\$ 1,410,814</b>	<b>\$ 2,156,191</b>

The following is an aged analysis of the accounts payable and accrued liabilities:

	September 30, 2016	March 31, 2016
Less than 1 month	\$ 587,473	\$ 582,657
1 to 3 months	9,956	83,249
Over 3 months	813,385	1,490,285
<b>Total</b>	<b>\$ 1,410,814</b>	<b>\$ 2,156,191</b>

During the three and six months ended September 30, 2016, the Company wrote off \$528,097 accounts payable which had been recorded as gain on write-off of accounts payable in the unaudited condensed interim condensed interim statements of operations and comprehensive loss.

## 7. DEBENTURES

On August 27, 2012, the Company completed a \$900,000 non-brokered private placement debenture financing with private arm's length individuals. The debenture is unsecured, yields 10% and was due on August 21, 2013 (the debenture has not been repaid). The holders of the debenture received 65,250 common shares and the value of these shares was \$123,972. The value of the 65,250 shares was calculated by applying the market price of the shares at the time of issue.

On February 1, 2013, the Company completed a private placement of 250 units raising proceeds of \$250,000. The units are comprised of an unsecured debenture with a one year term in the principal amount of \$1,000, bearing a coupon of 10%, payable monthly and 333 common shares of the Company. The holders of the debenture received 83,325 common shares and the value of these shares was \$49,995. The value of the 83,325 shares was calculated by applying the market price of the shares at the time of issue.

On September 10, 2014, lenders extended the maturities of the two debentures to March 31, 2015 and on June 5, 2015, lenders extended the maturities of the two debentures further to March 31, 2016. On May 25, 2016, the Company settled \$1,150,000 of the principal by issuing an aggregate of 3,285,714 common shares. During the three and six months ended September 30, 2016, \$9,403 and \$37,449 interest, respectively were accrued.

## 8. PROVISION FOR CLOSURE AND RECLAMATION

The Company has provided a letter of credit in the amount of \$75,000 to the Government of Manitoba under the terms of the closure plan on the PL Property (see Note 3). The Company further provided all assets, goods and personal property involved in the operation of the PL Property, as a security of up to \$5,000,000 for the performance of the closure plan and the rehabilitation program.

The Company's provision for closure and reclamation costs is based on management's estimates of costs to abandon and reclaim mineral properties and facilities as well as an estimate of the future timing of the costs to be incurred. The Company has estimated its total provision for closure and reclamation to be \$3,336,990 at September 30, 2016, based on a total future liability of approximately \$3,073,160 (March 31, 2016 - \$3,073,160), an inflation rate of 1.8% (March 31, 2016 - 2.1%) and a discount rate of 1.00% (March 31, 2016 - 1.23%). Reclamation is expected to occur in approximately 11 years.

The following is an analysis of the provision for closure and reclamation:

<b>Balance, March 31, 2016</b>	<b>\$ 3,373,948</b>
Effect of changes in the inflation and discount rate	(54,486)
Accretion incurred in the period	17,528
<b>Balance, September 30, 2016</b>	<b>\$ 3,336,990</b>

During the three and six months ended September 30, 2016, the Company expensed \$8,580 and \$17,528, respectively, as accretion which was recorded in finance cost on the unaudited condensed interim statements of operations and comprehensive loss (three and six months ended September 30, 2015 - \$12,946 and \$27,985, respectively).

## 9. SHARE CAPITAL

### (a) Authorized:

Unlimited number of common shares with no par value.

### (b) Common Shares Issued:

	<b>Number of Shares</b>	<b>Amount</b>
<b>Balance, March 31, 2015 and September 30, 2015</b>	<b>15,428,253</b>	<b>\$ 14,105,280</b>
<b>Balance, March 31, 2016</b>	<b>18,117,143</b>	<b>\$ 14,782,747</b>
Common shares issued for settlement of debt (i)(ii)	4,160,715	2,665,125
Common shares issued upon exercise of broker warrants	43,500	17,265
Reclassification of fair value of broker warrants	-	11,836
Transaction costs	-	(750)
<b>Balance, September 30, 2016</b>	<b>22,321,358</b>	<b>\$ 17,476,223</b>

## **9. SHARE CAPITAL (Continued)**

### **(b) Common Shares Issued (Continued):**

(i) On May 25, 2016, the Company settled with arm's-length and non-arm's length debt holders \$1,230,086 of debt by issuing common shares. Of this amount, \$1,150,000 relates to the principal amount of unsecured debentures by issuing an aggregate of 3,285,915 common shares and the balance of \$80,086 of the indebtedness relates to the provision of director fees for an aggregate of 200,016 common shares. The common shares issued were recorded at \$0.60 per share based on the stock price of the Company on May 25, 2016, the date the common shares were issued. This resulted a loss on settlement of debt of \$861,473 which was recorded in the unaudited condensed interim statements of operations and comprehensive loss for the six months ended September 30, 2016.

(ii) On September 21, 2016, the Company settled \$269,913 management consulting fees by issuing 674,784 common shares. The common shares issued were recorded at \$0.85 per share based on the stock price of the Company on September 21, 2016, the date the common shares were issued. This resulted a loss on settlement of debt of \$303,653 which was recorded in the unaudited condensed interim statements of operations and comprehensive loss for three and six months ended September 30, 2016.

## **10. SHARE-BASED PAYMENT RESERVES**

### **(a) Stock Options**

The Company has granted options for the purchase of common shares to its directors, officers, employees and certain consultants. The purpose of the plan is to attract, retain and motivate these parties by providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and to benefit from its growth. These options are valid for a maximum of 5 years from the date of issue. Vesting terms and conditions are determined by the Board of Directors at the time of the grant. The maximum number of options to be issued under the plan shall not exceed 10% of the total number of common shares issued and outstanding.

The following table shows the continuity of stock options for the periods ended September 30, 2016 and 2015:

	<b>Number of Stock Options</b>	<b>Weighted Average Exercise Price</b>
<b>Balance, March 31, 2015</b>	<b>1,527,500</b>	<b>\$ 0.65</b>
Expired	(17,500)	2.00
<b>Balance, September 30, 2015</b>	<b>1,510,000</b>	<b>\$ 0.63</b>
<b>Balance, March 31, 2016</b>	<b>1,780,000</b>	<b>\$ 0.53</b>
Granted (i)	300,000	0.75
<b>Balance, September 30, 2016</b>	<b>2,080,000</b>	<b>\$ 0.57</b>

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## 10. SHARE-BASED PAYMENT RESERVES (Continued)

### (a) Stock Options (continued)

(i) On July 25, 2016, the Company granted an aggregate of 300,000 options to purchase common shares of the Company exercisable at a price of \$0.75 per common share for a period of 5 years, to certain directors, officers, employees and consultants. The grant date fair value of \$217,316 was assigned to the stock options as estimated by using the Black-Scholes option valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 238.35% based on historical prices of the Company's stock, risk-free rate of return of 0.62% and an expected life of 5 years. These stock options vested immediately upon grant. During the three and six months ended September 30, 2016, share-based payment of \$217,316 was recorded in the unaudited condensed interim statement of operations and comprehensive loss related to these options.

The following are the stock options outstanding at September 30, 2016:

Number of Options Issued	Grant Date Fair Value (\$)	Number of Options Exercisable	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Expiry Date
125,000	225,000	125,000	2.50	0.91	August 29, 2017
600,000	223,154	600,000	0.38	2.33	January 27, 2019
30,000	11,905	30,000	0.45	2.55	April 17, 2019
725,000	287,608	725,000	0.40	2.99	September 26, 2019
300,000	107,207	300,000	0.36	4.42	March 1, 2021
300,000	217,316	300,000	0.75	4.82	July 25, 2021
<b>2,080,000</b>	<b>1,072,190</b>	<b>2,080,000</b>	<b>0.57</b>	<b>3.14</b>	

### (b) Share Purchase Warrants

The following table shows the continuity of share purchase warrants for the periods ended September 30, 2016 and 2015:

	Number of Warrants	Weighted Average Exercise Price
<b>Balance, March 31, 2015 and September 30, 2015</b>	<b>150,000</b>	<b>\$ 10.00</b>
<b>Balance, March 31, 2016 and September 30, 2016</b>	<b>391,950</b>	<b>\$ 4.07</b>

The following are the share purchase warrants outstanding at September 30, 2016:

Number of Warrants Issued	Grant Date Fair Value (\$)	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Expiry Date
150,000	339,000	10.00	0.33	January 30, 2017
80,650	13,287	0.40	1.08	October 29, 2017
161,300	24,991	0.40	1.10	November 5, 2017
<b>391,950</b>	<b>377,278</b>	<b>4.07</b>	<b>0.80</b>	

Continued...

## 10. SHARE-BASED PAYMENT RESERVES (Continued)

### (c) Broker Warrants

The following table shows the continuity of broker warrants for the periods ended September 30, 2016 and 2015:

	Number of Broker Warrants	Weighted Average Exercise Price
<b>Balance, March 31, 2015 and September 30, 2015</b>	-	\$ -
<b>Balance, March 31, 2016</b>	<b>132,300</b>	<b>\$ 0.40</b>
Exercised	(43,500)	0.40
<b>Balance, September 30, 2016</b>	<b>88,800</b>	<b>\$ 0.39</b>

The following are the broker warrants outstanding at September 30, 2016:

Number of Broker Warrants Issued	Grant Date Fair Value (\$)	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Expiry Date
43,800	9,762	0.40	1.12	November 12, 2017
45,000	13,541	0.39	1.25	December 31, 2017
<b>88,800</b>	<b>23,303</b>	<b>0.39</b>	<b>1.19</b>	

## 11. GENERAL AND ADMINISTRATIVE

	Three Months Ended September 30,		Six Months Ended September 30,	
	2016	2015	2016	2015
Office and general	\$ 3,123	\$ 8,133	\$ 7,668	\$ 12,899
Salaries and benefits	25,733	-	34,311	-
Business development	-	6,903	-	13,013
Stock exchange and transfer agent fees	18,483	383	21,499	14,323
Shareholder information	5,555	339	6,587	2,739
<b>General and administrative</b>	<b>\$ 52,894</b>	<b>\$ 15,758</b>	<b>\$ 70,065</b>	<b>\$ 42,974</b>

Continued...

## 12. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

(a) The Company entered into the following transactions with related parties recorded as professional and consulting fees and share issue costs:

	Three Months Ended September 30, 2016		Six Months Ended September 30, 2016	
	2015	2016	2015	2016
Irwin Lowy LLP (i) - professional and consulting fees	\$ 2,867	\$ 22,662	\$ 25,712	\$ 35,194

(i) A director of the Company is a partner at Irwin Lowy LLP, a law firm, and the fees relate to professional services provided by the firm. As at September 30, 2016, the Company owed \$45,299 (March 31, 2016 - \$44,675) to this firm and this amount is included in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing with no fixed terms of repayment.

(ii) See Note 9(b)(i)(ii).

(iii) As at September 30, 2016, the Company owed \$292,887 (March 31, 2016 - \$462,800) to a corporation controlled by the Chief Executive Officer ("CEO") of the Company and this amount is included in accounts payable and accrued liabilities. During the three and six months ended September 30, 2016, \$45,000 and \$90,000, respectively, (three and six months ended September 30, 2015 - \$30,000 and \$60,000, respectively) of these fees were recorded as capitalized exploration and evaluation costs and \$15,000 and \$30,000, respectively, (three and six months ended September 30, 2015 - \$30,000 and \$60,000 respectively) were recorded in management and directors' compensation on the unaudited condensed interim statements of operations and comprehensive loss. See also Note 9(b)(ii) for issuance of common shares in settlement of management consulting fees owed to the corporation controlled by the CEO.

(b) Remuneration of directors and key management personnel of the Company was as follows:

	Three Months Ended September 30, 2016		Six Months Ended September 30, 2016	
	2015	2016	2015	2016
Directors fees	\$ 17,000	\$ 17,000	\$ 34,000	\$ 34,000
Amounts paid or accrued to CEO for salaries, consulting and benefits	\$ 60,000	\$ 60,000	\$ 120,000	\$ 120,000
Stock-based payments	\$ 144,877	\$ -	\$ 144,877	\$ -

Director fees - the Board of Directors do not have employment or service contracts with the Company. Directors are entitled to director fees and stock options for their services. As at September 30, 2016, the Company owed \$157,914 (March 31, 2016 - \$246,000) to the directors and \$8,789 (March 31, 2016 - \$18,789) to the CEO of the Company which was included in the accounts payable and accrued liabilities.

Salaries and benefits - officers are entitled to stock options, consulting fees or salaries and benefits where employment or service contracts are in place with the Company for their services.

### **13. ENVIRONMENTAL CONTINGENCIES**

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

### **14. COMMITMENTS AND CONTINGENCIES**

Pursuant to the terms of the flow-through share agreements, the Company needs to comply with its flow-through contractual obligations with subscribers with respect to the Income Tax Act (Canada). The Company has indemnified the subscribers of current and previous flow-through share offerings against any tax related amounts that become payable by the shareholder as a result of the Company not meeting its expenditure commitments. As at September 30, 2016, the Company is committed to incurring approximately \$160,000 in qualifying exploration expenditures in Canada by December 31, 2016.

The Company is party to a management contract. This contract contains clauses requiring additional payments of up to \$480,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not occurred, the contingent payments have not been reflected in these unaudited condensed interim financial statements. Additional minimum management contractual commitments remaining under the agreement are approximately \$480,000, of which \$240,000 is due within one year.

### **15. SUBSEQUENT EVENTS**

On November 4, 2016, the Company closed the first tranche ("First Tranche") of its previously announced brokered (the "Brokered Offering") and non-brokered (the "Non-Brokered Offering") private placement raising aggregate gross proceeds of \$3,334,750.

Pursuant to the Brokered Offering co-led by Mackie Research Capital Corporation and Industrial Alliance Securities Inc. (together, the "Agents"), the Company issued 71,000 flow-through units (each, a "Flow-Through Unit") at a price of \$0.85 per Flow-Through Unit for gross proceeds of \$60,350 and 966,200 units (each, a "Unit") at a price of \$0.65 per Unit for gross proceeds of \$628,030.

Each Flow-Through Unit consists of one common share of the Company (each, a "Common Share") issued on a flow-through basis and one-half of a Common Share purchase warrant (each, a "Warrant"). Each whole Warrant shall entitle the holder to purchase one Common Share at an exercise price of \$0.85 until May 4, 2019. Each Unit consists of one Common Share and one-half of one Warrant.

In consideration for their services in connection with the Brokered Offering, the Agents received a cash commission equal to 6.0% of the gross proceeds of the Brokered Offering and were issued 62,232 broker warrants (the "Brokered Warrants"). Each Brokered Warrants is exercisable for one Unit at a price of \$0.65 per Unit until May 4, 2019.

Pursuant to the Non-Brokered Offering, the Company raised 2,612,200 Flow-Through Units at a price of \$0.85 per Flow-Through Unit for gross proceeds of \$2,220,370 and 655,385 Units at a price of \$0.65 per Unit for gross proceeds of \$426,000. The Brokered Offering and the Non-Brokered Offering are collectively referred to as the "Offering".

In connection with the Non-Brokered Offering, certain eligible finders received a cash finder's fee equal to 6.0% of the gross proceeds sourced by such finders, and the Company issued to such finders an aggregate of 196,055 finder warrants (the "Finder Warrants"). Each Finder Warrant is exercisable for one Unit at a price of \$0.65 per Unit until May 4, 2019.



**15. SUBSEQUENT EVENTS (Continued)**

In addition to the Offering, the Company also announced that it settled a portion of its previously announced shares for debt transaction by issuing an aggregate of 165,549 Common Shares at a deemed price of \$0.80 per Common Share in settlement of an aggregate of \$132,440 owed to certain arm's length parties (the "Debt Settlement").

All securities issued pursuant to the Offering and the Debt Settlement will be subject to a statutory hold period expiring on March 5, 2017 in accordance with applicable securities legislation.