

**MINNOVA CORP.
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
MARCH 31, 2016 AND 2015**

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Minnova Corp.

We have audited the accompanying financial statements of Minnova Corp., which comprise the statements of financial position as at March 31, 2016 and 2015, and the statements of operations and comprehensive loss, statements of cash flows and statements of changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Minnova Corp. as at March 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that Minnova Corp. had a working capital deficit and a cumulative deficit as at March 31, 2016. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about Minnova Corp.'s ability to continue as a going concern.

McGOVERN, HURLEY, CUNNINGHAM, LLP



Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
July 27 2016

MINNOVA CORP.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

Page 1

	March 31, 2016	March 31, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 316,939	\$ 79,819
Amounts receivable	121,840	139,336
Prepaid expenses	<u>66,462</u>	<u>1,488</u>
TOTAL CURRENT ASSETS	<u>505,241</u>	<u>220,643</u>
NON-CURRENT ASSETS		
Restricted cash equivalents (Note 6)	75,000	75,000
Equipment (Note 7)	259,085	272,721
Exploration properties and deferred exploration expenditures (Note 8)	<u>14,297,145</u>	<u>14,395,006</u>
TOTAL NON-CURRENT ASSETS	<u>14,631,230</u>	<u>14,742,727</u>
TOTAL ASSETS	<u>\$ 15,136,471</u>	<u>\$ 14,963,370</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Notes 9 and 15)	\$ 2,156,191	\$ 1,946,426
Hydro contract accrual	277,533	255,678
Flow-through premium liability (Note 12(b)(vi))	67,318	-
Debentures (Note 10)	<u>1,526,165</u>	<u>1,460,066</u>
TOTAL CURRENT LIABILITIES	<u>4,027,207</u>	<u>3,662,170</u>
NON-CURRENT LIABILITIES		
Provision for closure and reclamation (Note 11)	<u>3,373,948</u>	<u>3,717,144</u>
TOTAL LIABILITIES	<u>7,401,155</u>	<u>7,379,314</u>
EQUITY		
Share capital (Note 12(b))	14,782,747	14,105,280
Share-based payment reserves (Note 13)	1,267,291	1,193,017
Deficit	<u>(8,314,722)</u>	<u>(7,714,241)</u>
TOTAL EQUITY	<u>7,735,316</u>	<u>7,584,056</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 15,136,471</u>	<u>\$ 14,963,370</u>

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)
COMMITMENTS AND CONTINGENCIES (Notes 6, 8, 11,17 and 18)
SUBSEQUENT EVENTS (Note 19)

APPROVED ON BEHALF OF THE BOARD:

Signed "James White" Director
Signed "Gorden Glenn" Director

See accompanying notes to the financial statements

MINNOVA CORP.**STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(Expressed in Canadian Dollars)

For the Years Ended March 31,	2016	2015
EXPENSES		
Loss on debt settlement with shares (Note 12(b)(i))	\$ -	\$ 100,000
Stock-based payments (Note 13(a)(i)(ii) and (iii))	107,207	299,513
General and administrative (Note 14)	96,670	98,077
Management and directors' compensation (Note 15(b))	170,000	178,000
Professional and consulting fees (Note 15(a))	127,354	91,871
Amortization (Note 7)	<u>13,636</u>	<u>14,354</u>
LOSS BEFORE BELOW ITEMS	(514,867)	(781,815)
Reversal of flow-through premium liability (Note 12(b)(vi))	29,993	50,685
Finance income	-	1,704
Finance cost (Note 11)	<u>(221,957)</u>	<u>(187,770)</u>
LOSS BEFORE INCOME TAX	(706,831)	(917,196)
Deferred income tax recovery (Note 16)	<u>-</u>	<u>25,772</u>
NET LOSS AND COMPREHENSIVE LOSS		
FOR THE YEAR	\$ (706,831)	\$ (891,424)
Net loss per common share - basic and diluted	\$ (0.04)	\$ (0.06)
Weighted average number of shares outstanding		
- basic and diluted	16,359,625	15,296,734

See accompanying notes to the financial statements

MINNOVA CORP.
STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

Page 3

For the Years Ended March 31,	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	\$ (706,831)	\$ (891,424)
Items not involving cash:		
Amortization	13,636	14,354
Accretion of provision for closure and reclamation	53,787	50,183
Loss on debt settlement with shares	-	100,000
Reversal of flow-through premium liability	(29,993)	(50,685)
Interest expense	146,007	137,587
Deferred income tax recovery	-	(25,772)
Stock-based payments	<u>107,207</u>	<u>299,513</u>
	<u>(416,187)</u>	<u>(366,244)</u>
Changes in non-cash working capital balances:		
Decrease in amounts receivable	17,496	4,959
(Increase) decrease in prepaid expenses	(64,974)	26,784
Increase in accounts payable and accrued liabilities	<u>121,200</u>	<u>375,780</u>
	<u>73,722</u>	<u>407,523</u>
Cash flows from operating activities	<u>(342,465)</u>	<u>41,279</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in exploration properties and deferred exploration expenditures	<u>(188,701)</u>	<u>(363,772)</u>
Cash flows from investing activities	<u>(188,701)</u>	<u>(363,772)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements	911,559	-
Share issue costs	(63,365)	-
Repayment of interest on debentures	<u>(79,908)</u>	<u>-</u>
Cash flows from financing activities	<u>768,286</u>	<u>-</u>
Increase (decrease) in cash and cash equivalents	237,120	(322,493)
Cash and cash equivalents, beginning of year	<u>79,819</u>	<u>402,312</u>
Cash and cash equivalents, end of year	<u>\$ 316,939</u>	<u>\$ 79,819</u>
Supplemental Information:		
Cash, end of year	\$ 316,939	\$ 79,819
Cash equivalents, end of year	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 316,939</u>	<u>\$ 79,819</u>
Interest paid	\$ 79,908	\$ -
Shares issued for settlement of debt (Note 12(b)(i))	\$ -	\$ 350,000
Change in accrued property expenditures	\$ 110,420	\$ 22,236
Broker warrants issued (Note 13(c))	\$ 35,139	\$ -

See accompanying notes to the financial statements

MINNOVA CORP.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

Page 4

	<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>	
Balance, March 31, 2014	14,713,968	\$ 13,755,280	\$ 558,504	\$ 533,508	\$ (6,995,553)	\$ 7,851,739
Common shares issued for debt settlement	714,285	350,000	-	-	-	350,000
Stock-based payments	-	-	299,513	-	-	299,513
Warrants expired	-	-	-	(194,508)	168,736	(25,772)
Stock options expired	-	-	(4,000)	-	4,000	-
Loss for the year	-	-	-	-	(891,424)	(891,424)
Balance, March 31, 2015	15,428,253	\$ 14,105,280	\$ 854,017	\$ 339,000	\$ (7,714,241)	\$ 7,584,056
Common shares, warrants and broker warrants issued in private placements	2,688,900	838,142	-	73,417	-	911,559
Transaction costs	-	(63,364)	-	-	-	(63,364)
Premium liability for flow-through shares	-	(97,311)	-	-	-	(97,311)
Stock-based payments	-	-	107,207	-	-	107,207
Stock options expired	-	-	(106,350)	-	106,350	-
Loss for the year	-	-	-	-	(706,831)	(706,831)
Balance, March 31, 2016	18,117,153	\$ 14,782,747	\$ 854,874	\$ 412,417	\$ (8,314,722)	\$ 7,735,316

See accompanying notes to the 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 \$3,521,966 and a deficit of \$8,314,722 as at March 31, 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 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 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.

The financial statements were approved by the Board of Directors on July 27, 2016.

2. BASIS OF PREPARATION

Statement of Compliance:

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

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

Basis of Presentation:

These financial statements have been prepared on a historical cost basis except for cash equivalents, which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Significant Accounting Judgments and Estimates:

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Assets' Carrying Values and Impairment Charges

In the determination of carrying values and impairment charges, management looks at the higher of the recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

Capitalization of Exploration Properties and Deferred Exploration Expenditures

Management has determined that exploration properties and deferred exploration expenditures incurred during the year have future economic benefits and are economically recoverable. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 8 for details of capitalized exploration properties and deferred exploration expenditures.

2. BASIS OF PREPARATION (Continued)

Significant Accounting Judgments and Estimates (Continued):

Mineral Reserve Estimates

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects", issued by the Canadian Securities Administrators. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Differences between management's assumptions including economic assumptions such as metal prices and market conditions could have a material effect in the future on the Company's financial position and results of operations.

Impairment of Exploration Properties and Deferred Exploration Expenditures

While assessing whether any indications of impairment exist for exploration properties and deferred exploration expenditures, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration properties and deferred exploration expenditures. Internal sources of information include the manner in which exploration properties and deferred exploration expenditures are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after tax cash flows expected to be derived from the Company's exploration properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write down of the carrying amounts of the Company's exploration properties and deferred exploration expenditures.

Estimation of Decommissioning and Restoration Costs and the Timing of Expenditures

The cost estimates are updated annually to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

2. BASIS OF PREPARATION (Continued)

Significant Accounting Judgments and Estimates (Continued):

Share-based Payments

Management determines costs for share based payments using market based valuation techniques. The fair value of the market based and performance based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Contingencies

Refer to Notes 17 and 18.

3. ACCOUNTING POLICIES

Financial Instruments:

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives.

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash equivalents	Fair value through profit or loss
Cash	Loans and receivables
Amounts receivable	Loans and receivables
Restricted cash equivalents	Loans and receivables
Financial liabilities:	Classification:
Accounts payable and accrued liabilities	Other financial liabilities
Hydro contract accrual	Other financial liabilities
Debentures	Other financial liabilities

Fair Value Through Profit or Loss ("FVTPL"):

Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management (fair value option), or if they are derivative assets that are not part of an effective and designated hedging relationship. Financial assets classified as FVTPL are measured at fair value, with changes recognized in the statement of operations.

Loans and Receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

3. ACCOUNTING POLICIES (Continued)

Financial Instruments (Continued):

Other Financial Liabilities:

Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are de-recognized when the obligations are discharged, cancelled or expired.

Impairment of Financial Assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Derecognition:

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial Instruments Recorded at Fair Value:

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of all the Company's financial instruments approximates the carrying value, due to their short-term nature other than restricted cash equivalents which represent a guaranteed investment certificate.

3. ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents:

The Company defines cash and cash equivalents as cash and investments with maturity dates of less than ninety days. The Company invests cash in term deposits maintained in high credit quality institutions. As at March 31, 2016, the cash and cash equivalents balance was comprised of cash of \$316,939 and cash equivalents of \$nil (2015 - \$79,819 and \$nil, respectively).

Equipment:

Equipment is carried at cost, less accumulated amortization and accumulated impairment losses.

The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Amortization is recognized based on the cost of an item of equipment, less its estimated residual value, over its estimated useful life at the following rates:

Detail	Percentage	Method
Mine buildings	5%	Declining balance

An asset's residual value, useful life and amortization method are reviewed, and adjusted if appropriate, on an annual basis.

Exploration Properties and Deferred Exploration Expenditures:

Exploration and Evaluation Properties:

Once a license to explore an area has been secured, expenditures on exploration and evaluation activities, net of government assistance received, are capitalized to exploration properties and deferred exploration expenditures. Exploration and evaluation expenditures relate to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress within mineral properties and deferred exploration expenditures.

Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any impairment provisions are written off.

3. ACCOUNTING POLICIES (Continued)

Mineral Properties and Deferred Exploration Expenditures (Continued):

Development Properties:

When economically viable reserves have been determined and the decision to proceed with development has been approved, the expenditures related to construction are capitalized as construction-in-progress and classified as a component of mineral properties and deferred exploration expenditures. Costs associated with the commissioning of new assets, in the period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues.

Interest on borrowings related to the construction and development of assets are capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

Production Properties:

When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements, underground mine development or mineable reserve development.

Depletion:

Accumulated mine development costs are depleted on a unit-of-production basis over the estimated economically recoverable reserves of the mine concerned.

Impairment of Non-Financial Assets:

The carrying values of exploration properties and deferred exploration expenditures, and equipment are assessed for impairment when indicators of such impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use.

Impairment is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, the individual assets of the Company are grouped together into cash generating units ("CGUs") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or other groups of assets. This generally results in the Company evaluating its non-financial assets on a geographical basis.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the statement of operations so as to reduce the carrying amount to its recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of operations.

3. ACCOUNTING POLICIES (Continued)

Provisions:

General:

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Rehabilitation Provision:

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, dismantling operating facilities, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related ore. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. When applicable for closed sites, changes to estimated costs are recognised immediately in the statement of operations.

Flow-Through Shares:

Flow-through shares are a unique Canadian tax incentive. They are the subject of specific guidance under US GAAP, but there is no equivalent IFRS guidance. Therefore the Company has adopted a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors and is then derecognized in the period of renunciation. The recognition of a deferred income tax liability upon renunciation of the flow through expenditure is recorded as income tax expense in the period of renunciation. Any difference between the amount of the liability component derecognized and deferred income tax liability recognized is recorded in the statement of operations.

Foreign Currency Translation:

The Canadian dollar is the functional currency of the Company's operations. The financial statements, the results of operations and financial position are expressed in Canadian dollars. In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Gains/losses on translation are recorded in the statement of operations.

3. ACCOUNTING POLICIES (Continued)

Stock-Based Payments:

The fair value of stock options granted is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Stock option expense incorporates an expected forfeiture rate for those options that do not vest immediately. Amounts recorded for expired unexercised stock options and warrants are transferred to deficit on expiry.

Loss Per Share:

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. The Company's diluted loss per share for all years presented does not include the effect of stock options and warrants as they are anti-dilutive.

Income Taxes:

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the year-end date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are presented as non-current.

3. ACCOUNTING POLICIES (Continued)

Change in Accounting Policies:

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after March 31, 2015. The following new standards have been adopted:

(i) IFRS 13 – Fair Value Measurement was amended to clarify that the exception which allows fair value measurements of a group of financial assets and liabilities on a net basis applies to all contracts within the scope of IAS 39 (as defined below) or IFRS 9 (as defined below), regardless of whether they meet the definitions of financial assets or liabilities as defined in IAS 32 – Financial Instruments: Presentation. At April 1, 2015, the Company adopted this pronouncement and there was no material impact on the Company's financial statements.

(ii) IAS 24 – Related Party Disclosures ("IAS 24") was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. At April 1, 2015, the Company adopted this pronouncement and there was no material impact on the Company's 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 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. The amendments are effective for annual periods beginning on or after January 1, 2016.

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.

4. MANAGING CAPITAL

The Company manages its capital with the following objectives:

- to ensure sufficient flexibility to achieve the ongoing business objectives including funding of future resource based exploration and investment initiatives; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and the industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of its mineral properties for the mining of gold, nickel and copper. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital to be total shareholders' equity (managed capital) which at March 31, 2016 totaled \$7,735,316 (2015 - \$7,584,056).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, as well as other investing and financing activities. The forecast is regularly updated based on activities related to the acquisition, exploration and development of its mineral properties. The Board of Directors regularly reviews the Company's capital management approach. The Company's capital management objectives, policies and processes have remained unchanged during the year ended March 31, 2016.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

As of March 31, 2016, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

5. FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 3.

Categories of Financial Instruments

	As at March 31, 2016	As at March 31, 2015
Financial Assets		
<i>Loans and Receivables</i>		
Cash	\$ 316,939	\$ 79,819
Restricted cash equivalents	75,000	75,000
Amounts receivable	121,840	139,336
Financial Liabilities		
<i>Other Financial Liabilities</i>		
Accounts payable and accrued liabilities	\$ 2,156,191	\$ 1,946,426
Hydro contract accrual	277,533	255,678
Debenture	1,526,165	1,460,066

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures for managing risk during the year ended March 31, 2016.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, amounts receivable and restricted cash equivalents. Restricted cash equivalents consists of a GIC which have been invested with a reputable Canadian financial institution. The Company does not hold any non-bank asset backed commercial paper. Management believes that the credit risk concentration with respect to its financial instruments is remote.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2016, the Company did not have sufficient cash and cash equivalents to settle current liabilities of \$4,027,207. Management believes that additional financing will be available to discharge current liabilities. See also note 19.

Most of the Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

5. FINANCIAL INSTRUMENTS (Continued)

Interest Rate Risk

The Company has cash and cash equivalents balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The debentures bear fixed interest rates and therefore are not subject to interest rate risk. Currently, the Company does not hedge against interest rate risk.

Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions at this time are small and therefore, does not hedge its foreign exchange risk.

Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as it relates to precious and base metals to determine the appropriate course of action to be taken by the Company. Management believes commodity price risk to be remote as the Company is not a producing entity.

Fair Value

The Company has, for accounting purposes, designated its cash and amounts receivable as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost.

As at March 31, 2016, the Company did not have any financial instruments carried at fair value. As of March 31, 2016, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent because of the limited term of these instruments.

6. 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 11).

MINNOVA CORP.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015
(Expressed in Canadian Dollars)

Page 18

7. EQUIPMENT

Cost

	Buildings
Balance, March 31, 2014, March 31, 2015 and March 31, 2016	\$ 305,096

Accumulated Amortization

	Buildings
Balance, March 31, 2014	\$ 18,021
Amortization for the year	14,354
Balance, March 31, 2015	32,375
Amortization for the year	13,636
Balance, March 31 2016	\$ 46,011

Carrying Amount

	Buildings
Balance, March 31, 2015	\$ 272,721
Balance, March 31, 2016	\$ 259,085

During the year ended March 31, 2016, the Company expensed \$13,636, in amortization to the statement of operations and comprehensive loss (2015 - \$14,354).

Continued...

8. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

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
	\$ 14,395,006	\$ 299,121	\$ (396,982)	\$ 14,297,145

As at March 31, 2015

	March 31, 2014	Additions	Changes for closure and reclamation	March 31, 2015
<i>Exploration and Evaluation Properties</i>				
Nokomis Property	\$ 2,447,341	\$ 40,652	\$ -	\$ 2,487,993
PL Property	10,771,273	355,355	780,385	11,907,013
	\$ 13,218,614	\$ 396,007	\$ 780,385	\$ 14,395,006

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.

Continued...

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2016	March 31, 2015
Trade payables	\$ 1,618,656	\$ 1,494,891
Accrued and payroll liabilities	537,535	451,535
Total	\$ 2,156,191	\$ 1,946,426

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

	March 31, 2016	March 31, 2015
Less than 1 month	\$ 582,657	\$ 126,375
1 to 3 months	83,249	6,986
Over 3 months	1,490,285	1,813,065
Total	\$ 2,156,191	\$ 1,946,426

10. 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. As of March 31, 2016, the debenture and accrued interest have not been repaid.

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 26, 2016, the Company settled \$1,150,000 of the principal by issuing an aggregate of 3,285,714 common shares.

11. 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 6). 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 \$3,373,948 at March 31, 2016, based on a total future liability of approximately \$3,073,160 (2015 - \$3,073,160), an inflation rate of 2.1% (2015 - 2.4%) and a discount rate of 1.23% (2015 - 1.36%). Reclamation is expected to occur in approximately 11 years.

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

Balance, March 31, 2014	\$ 2,886,576
Effect of changes in the inflation and discount rate	780,385
Accretion incurred in the year	50,183
Balance, March 31, 2015	\$ 3,717,144
Effect of changes in the inflation and discount rate	(396,983)
Accretion incurred in the year	53,787
Balance, March 31, 2016	\$ 3,373,948

During the year ended March 31, 2016, the Company expensed \$53,787 as accretion which was recorded in finance cost on the statements of operations and comprehensive loss (2015 - \$50,183).

12. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares with no par value.

(b) Common Shares Issued:

	Number of Shares	Amount
Balance, March 31, 2014	14,713,958	\$ 13,755,280
Common shares issued for debt settlement (i)	714,285	350,000
Balance, March 31, 2015	15,428,243	\$ 14,105,280
Common shares issued in private placements (ii)(iii)(iv)(v)	2,688,900	911,559
Valuation of warrants (ii)(iii)	-	(38,278)
Valuation of broker warrants (ii)(iv)(v)	-	(35,139)
Premium liability for flow-through shares	-	(97,311)
Transaction costs (ii)(iii)(iv)(v)	-	(63,364)
Balance, March 31, 2016	18,117,143	\$ 14,782,747

- (i) On June 6, 2014, the Company issued 714,285 common shares of the Company to the Chief Executive Officer ("CEO") of the Company in settlement of \$250,000 accounts payable owed to the officer's Company. The common shares issued were valued at \$350,000 on the date of issuance based on a market price of \$0.49. The settlement resulted in a loss of \$100,000, which was recorded in the statement of operations and comprehensive loss for the year ended March 31, 2015.
- (ii) On October 29, 2015, the Company closed Tranche 1 of a non-brokered private placement (the "Offering") with the issuance of 500,000 flow-through common shares of the Company at a price of \$0.31 per flow-through share for gross proceeds of \$155,000. The Company issued 30,000 broker warrants related to these flow-through shares with each exercisable at \$0.40 per common share for a period of two years. The grant date fair value assigned to these broker warrants was \$7,774, estimated using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 165%, risk-free interest rate of 0.57% and an expected life of 2 years. The Company incurred transaction costs of \$12,305 for the flow-through shares issued in Tranche 1. A director of the Company subscribed for 100,000 shares for proceeds of \$31,000.

In addition, 161,300 common share units were issued at a price of \$0.31 per common share unit for gross proceeds of \$50,003. The common share units consisted of 161,300 common shares and 80,650 warrants entitling the holder to purchase one common share at the exercise price of \$0.40 for a term of 2 years from the closing date of the Offering. The grant date fair value assigned to these warrants was \$13,549, estimated using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 165%, risk-free interest rate of 0.57% and an expected life of 2 years. The Company incurred transaction costs of \$971 for the common share units issued in Tranche 1 of which \$262 was allocated to the warrants and the rest was allocated to the common shares.

12. SHARE CAPITAL (Continued)

(b) Common Shares Issued (continued):

- (iii) On November 5, 2015, the Company closed Tranche 2 of the Offering with the issuance of 322,600 common share units at a price of \$0.31 per common share unit for gross proceeds of \$100,006. The common share units consisted of 322,600 common shares and 161,300 warrants entitling the holder to purchase one common share at the exercise price of \$0.40 for a term of 2 years from the closing date of the Offering. The grant date fair value assigned to these warrants was \$25,485, estimated using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 147%, risk-free interest rate of 0.62% and an expected life of 2 years. The Company incurred transaction costs of \$1,939 for the common share units issued in Tranche 2 of which \$494 was allocated to the warrants and the rest was allocated to the common shares.
- (iv) On November 12, 2015, the Company closed Tranche 3 of the Offering with the issuance of 730,000 flow-through shares of the Company at an issue price of \$0.31 per flow-through share for gross proceeds of \$226,300. The Company issued 43,800 broker warrants related to these flow-through shares with each exercisable at \$0.40 per common share for a period of two years. The grant date fair value assigned to these broker warrants was \$9,762, estimated using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 141%, risk-free interest rate of 0.64% and an expected life of 2 years. The Company incurred transaction costs of \$17,965 for the flow-through shares issued in Tranche 3.
- (v) On December 31, 2015, the Company closed a non-brokered private placement of the Offering with the issuance of 975,000 flow-through shares of the Company at an issue price of \$0.39 per flow-through share for gross proceeds of \$380,250. The Company issued 58,500 broker warrants related to these flow-through shares with each exercisable at \$0.39 per common share for a period of two years. The grant date fair value assigned to these broker warrants was \$17,603, estimated using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 120%, risk-free interest rate of 0.48% and an expected life of 2 years. The Company incurred transaction costs of \$30,184 for the flow-through shares issued in Tranche 4.
- (vi) During the year ended March 31, 2016, in connection with the issuances of flow-through shares, a flow-through premium of \$97,311 (2015 - \$66,700) was calculated. This amount has been presented as a current liability in the statements of financial position. During the year ended March 31, 2016, \$29,993 (2015 - \$50,685) of the flow-through premium was reversed as expenditure requirements were met and recognized in the statement of operations and comprehensive loss.

13. 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.

13. SHARE-BASED PAYMENT RESERVES (Continued)

(a) Stock Options (continued)

The following table shows the continuity of stock options for the years ended March 31, 2016 and 2015:

	Number of Stock Options	Weighted Average Exercise Price
Balance, March 31, 2014	782,500	\$ 0.90
Granted (i)(ii)	755,000	0.40
Expired	(10,000)	2.00
Balance, March 31, 2015	1,527,500	\$ 0.65
Expired	(47,500)	2.98
Granted (iii)	300,000	0.36
Balance, March 31, 2016	1,780,000	\$ 0.53

- (i) On April 17, 2014, the Company granted 30,000 stock options to a consultant for investor relations with each option exercisable for one common share of the Company at an exercise price of \$0.45 per common share for a period of 5 years. These options vested immediately upon grant. The grant date fair value of \$11,905 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% based on historical prices of the Company's stock, risk-free rate of return of 1.46% and an expected life of 5 years. For the year ended March 31, 2016, the impact on expenses was \$nil (2015 - \$11,905).
- (ii) On September 26, 2014, the Company granted 725,000 stock options to certain employees, consultants and a director to purchase common shares of the Company exercisable at a price of \$0.40 per common share for a period of 5 years. These options vested immediately upon grant. The grant date fair value of \$287,608 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 235% based on historical prices of the Company's stock, risk-free rate of return of 1.51% and an expected life of 5 years. For the year ended March 31, 2016, the impact on expenses was \$nil (2015 - \$287,608).
- (iii) On March 1, 2016, the Company granted 300,000 stock options to certain directors, officers, employees and consultants to purchase common shares of the Company exercisable at a price of \$0.36 per common share for a period of 5 years. These options vested immediately upon grant. The grant date fair value of \$107,207 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 239% based on historical prices of the Company's stock, risk-free rate of return of 0.58% and an expected life of 5 years. For the year ended March 31, 2016, the impact on expenses was \$107,207 (2015 - \$nil).
- (iv) The weighted average grant date fair value of options granted during the year ended March 31, 2016 was \$0.36 (2015 - \$0.40) per option.

Continued...

13. SHARE-BASED PAYMENT RESERVES (Continued)

(a) Stock Options (continued)

The following are the stock options outstanding at March 31, 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	1.41	August 29, 2017
600,000	223,154	600,000	0.38	2.83	January 27, 2019
30,000	11,905	30,000	0.45	3.05	April 17, 2019
725,000	287,608	725,000	0.40	3.49	September 26, 2019
300,000	107,207	300,000	0.36	4.92	March 1, 2021
1,780,000	854,874	1,780,000	0.53	3.35	

(b) Share Purchase Warrants

The following table shows the continuity of share purchase warrants for the years ended March 31, 2016 and 2015:

	Number of Warrants	Weighted Average Exercise Price
Balance, March 31, 2014	517,294	\$ 4.67
Expired	(367,294)	2.50
Balance, March 31, 2015	150,000	\$ 10.00
Granted (Notes 12(b)(ii),(iii))	241,950	0.40
Balance, March 31, 2016	391,950	\$ 4.07

The following are the share purchase warrants outstanding at March 31, 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	0.84	January 30, 2017
80,650	13,287	0.40	1.58	October 29, 2017
161,300	24,991	0.40	1.60	November 5, 2017
391,950	377,278	4.07	1.30	

13. SHARE-BASED PAYMENT RESERVES (Continued)

(c) Broker Warrants

The following table shows the continuity of broker warrants for the years ended March 31, 2016 and 2015:

	Number of Broker Warrants	Weighted Average Exercise Price
Balance, March 31, 2014 and March 31, 2015	-	\$ -
Granted (Notes 12(b)(ii),(iv),(v))	132,300	0.40
Balance, March 31, 2016	132,300	\$ 0.40

The following are the broker warrants outstanding at March 31, 2016:

Number of Broker Warrants Issued	Grant Date Fair Value (\$)	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Life (years)	Expiry Date
30,000	7,774	0.40	1.58	October 29, 2017
43,800	9,762	0.40	1.62	November 12, 2017
58,500	17,603	0.39	1.75	December 31, 2017
132,300	35,139	0.40	1.67	

14. GENERAL AND ADMINISTRATIVE

	2016	2015
Office and general	\$ 25,808	\$ 19,115
Travel	-	11,974
Business development	38,603	42,620
Stock exchange and transfer agent fees	27,061	12,757
Shareholder information	4,216	11,111
Part XII.6 tax	982	500
General and administrative	\$ 96,670	\$ 98,077

15. 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:

Years Ended March 31,	2016	2015
Irwin Lowy LLP (i) - professional and consulting fees	\$ 39,849	\$ 43,482
Irwin Lowy LLP - share issue costs	13,501	-

(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 March 31, 2016, the Company owed \$44,675 (2015 - \$20,745) 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 12(b)(i) and (ii).

(iii) As at March 31, 2016, the Company owed \$462,800 (2015 - \$280,166) to a corporation controlled by the CEO of the Company and this amount is included in accounts payable and accrued liabilities. During the year ended March 31, 2016, \$138,000 (2015 - \$110,000) of these fees was recorded as capitalized exploration and evaluation costs and \$102,000 (2015 - \$110,000) was recorded in management and directors' compensation on the statements of operations and comprehensive loss. See also Note 19.

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

Year Ended March 31,	2016	2015
Directors fees	\$ 68,000	\$ 68,000
Amounts paid or accrued to CEO for salaries, consulting and benefits (Note 15(a)(iii))	\$ 240,000	\$ 220,000
Stock-based payments	\$ 53,603	\$ 165,202

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 March 31, 2016, the Company owed \$246,000 (2015 - \$178,000) to the directors and \$18,789 (2015 - \$18,166) 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.

See note 12(b)(ii) for subscriptions of related parties in private placement.

16. INCOME TAXES

(a) Provision for income taxes:

Major items causing the Company's effective income tax rate to differ from the Canadian combined and provincial statutory rates of approximately 26.5% (2015 - 26.5%) are as follows:

	<u>2016</u>	<u>2015</u>
Loss before income taxes	\$ (706,831)	\$ (917,196)
Expected income tax (recovery)	(187,300)	(243,100)
Stock based payments	28,400	79,400
Share issue costs	(16,600)	-
Flow-through expenditures renounced	201,800	-
Change in deferred tax benefits not recognised	(114,600)	128,100
Other	88,300	9,828
Deferred income tax recovery	\$ -	\$ (25,772)

(b) Deferred tax assets

Deferred income tax assets have not been recognized in respect of the following temporary differences:

Year Ended March 31,	<u>2016</u>	<u>2015</u>
Non-capital loss carry-forwards	\$ 1,176,000	\$ 931,000
Exploration properties	1,856,700	2,446,400
Share issue costs	100,000	202,000
Tax benefits not recognised	-	-
Deductible temporary differences	\$ 3,132,700	\$ 3,579,400

Deferred tax assets have not been recognized in respect of these temporary differences because it is not probable that future taxable profits will be available against which the Company can utilize the benefits.

- (c) As at March 31, 2016, the Company had approximately \$12,780,000 (2015 - \$13,124,000) of Canadian exploration and development expenditures, which, under certain circumstances may be utilized to reduce taxable income of future years. The Company also has approximately \$1,176,000 of non-capital losses in Canada, which can be used to reduce taxable income in future years. If not utilized, the non-capital losses begin to expire in 2036.

2034	633,000
2035	210,000
2036	<u>333,000</u>
	<u>\$ 1,176,000</u>

17. 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.

18. 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 March 31, 2016, the Company is committed to incurring approximately \$523,000 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 financial statements. Additional minimum management contractual commitments remaining under the agreement are approximately \$480,000, of which \$240,000 is due within one year.

19. SUBSEQUENT EVENTS

(i) On May 26, 2016, the Company settled with arm's-length and non-arm's length debt holders \$1,230,087 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 3,285,714 common shares and the balance of \$80,087 of the indebtedness relates to the provision of director fees for an aggregate of 200,016 common shares. Subject to shareholder approval, 674,784 shares will be issued to settle the balance of \$269,913 related to management consulting fees.

(ii) 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.