Lovitt Resources Inc.

Consolidated Financial Statements

For the years ended March 31, 2016
and December 31, 2014
(Expressed in U.S. Dollars)

D&H Group LLP
Chartered Professional Accountants
10th Floor, 1333 West Broadway
Vancouver, BC V6H 4C1

dhgroup.ca
t 604.731.5881
f 604.731.9923

Independent Auditor's Report

To the Shareholders of Lovitt Resources Inc.

We have audited the accompanying consolidated financial statements of Lovitt Resources Inc., which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

D&H Group LLP
Chartered Professional Accountants
10th Floor, 1333 West Broadway
Vancouver, BC V6H 4C1

dhgroup.ca
t 604.731.5881
f 604.731.9923

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lovitt Resources Inc. as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Lovitt Resources Inc.'s ability to continue as a going concern.

Other Matter

The consolidated financial statements of Lovitt Resources Inc. for the year ended December 31, 2014 were audited by other auditors who expressed an unmodified opinion on those statements in their report to shareholders dated May 28, 2015.

"D&H Group LLP"

Chartered Professional Accountants

Vancouver, B.C.
July 29, 2016

Lovitt Resources Inc.

Consolidated Statements of Financial Position

(Expressed in U.S. Dollars)

	March 31, 2016 $	December 31, 2014 $
Assets		
Current assets		
Cash	18,698	14,419
Amounts receivable	1,165	1,926
Security deposit	3,816	-
	23,679	16,345
Assets held for sale (Note 3)	1	1
Note receivable	-	125,000
Property, plant and equipment (Note 4)	214,064	238,497
Mineral properties (Note 5)	517,496	471,582
Patronage dividends receivable	2	4,447
	755,242	855,872
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 12)	30,773	43,337
Accrued interest payable (Note 12)	188,042	127,368
Note payable (Note 6)	4,423	4,945
Current portion of long-term debt (Note7)	949,261	-
	1,172,499	175,650
Long-term debt (Note 7)	-	913,106
	1,172,499	1,088,756
Shareholders' equity (deficiency)		
Share capital (Note 8)	4,312,197	4,312,197
Contributed surplus	935,727	935,727
Currency translation reserve	(20,123)	(8,677)
Deficit	(5,645,058)	(5,472,131)
	(417,257)	232,884
	755,242	855,872

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

These consolidated financial statements were approved for issue by the Board of Directors on July 29, 2016 and are signed on its behalf by:

"C. Lorne Brown", Director   *"Dominic Lapenna"*, Director

Lovitt Resources Inc.

Consolidated Statements of Comprehensive Loss
For the years ended March 31, 2016 and December 31, 2014
(Expressed in U.S. Dollars)

	2016 $	2014 $
Expenses		
Depreciation of property, plant and equipment (Note 4)	12,892	17,250
General and administrative (Note 12)	39,506	117,774
Interest on long-term debt (Note 12)	58,844	41,385
Management fees (Note 12)	158,774	114,668
	270,016	291,077
Loss before other items	(270,016)	(291,077)
Other items		
Miscellaneous items	379	5,420
Gain on sale of assets held for sale (Note 3)	73,400	56,165
Gain on sale of property and equipment (Note 4)	23,310	149,930
	97,089	211,515
Net loss for the year	(172,927)	(79,562)
Other comprehensive income (loss) for the year		
Foreign currency translation	(11,446)	2,754
Comprehensive loss for the year	(184,373)	(76,808)
Net loss per share - basic and diluted	(0.02)	(0.01)
Weighted average number of common shares outstanding	9,324,051	9,324,951

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

Lovitt Resources Inc.

Consolidated Statements of Changes in Equity

For the years ended March 31, 2016 and December 31, 2014

(Expressed in U.S. Dollars)

	Number of common shares	Common shares amount $	Preferred shares amount $	Contributed surplus $	Currency translation reserve $	Deficit $	Total shareholder's equity (deficiency) $
Balance at December 31, 2013	9,324,951	4,312,196	1	935,727	(11,431)	(5,392,569)	(156,076)
Comprehensive income (loss) for the year	-	-	-	-	2,754	(79,562)	(76,808)
Balance at December 31, 2014	9,324,951	4,312,196	1	935,727	(8,677)	(5,472,131)	(232,884)
Comprehensive loss for the year	-	-	-	-	(11,446)	(172,927)	(184,373)
Balance at March 31, 2016	9,324,951	4,312,196	1	935,727	(20,123)	(5,645,058)	(417,257)

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

Lovitt Resources Inc.

Consolidated Statements of Cash Flows

For the years ended March 31, 2016 and December 31, 2014

(Expressed in U.S. Dollars)

	2016 $	2014 $
Cash flows from (used in) operating activities		
Net loss for the year	(172,927)	(79,562)
Items not affecting cash		
Depreciation of property, plant and equipment	12,892	17,250
Gain on sale of property, plant and equipment	(23,310)	(149,931)
Gain on sale of assets held for sale	(73,400)	-
Changes in non-cash working capital		
Decrease (increase) in		
Amounts receivable	761	(1,323)
Security deposit	(3,816)	-
Note receivable	50,000	-
Increase (decrease) in		
Accounts payable and accrued liabilities	(12,564)	(6,781)
Accrued interest payable	60,674	38,658
Note payable	(522)	(446)
	(162,212)	(182,135)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,149)	-
Expenditures on mineral properties	(45,914)	(8,712)
Patronage dividends received	4,445	3,016
Proceeds from sale of assets held for sale	73,400	-
Proceeds from sale of property, plant and equipment	36,000	33,018
	66,782	27,322
Cash flows from financing activity		
Long-term debt proceeds	111,155	152,241
Effect of exchange rate	(11,446)	2,754
Increase in cash during the year	4,279	182
Cash, beginning of year	14,419	14,237
Cash, end of year	18,698	14,419

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

1. Nature of operations and going concern

The Company is incorporated under the *Company* Act (British Columbia). The Company holds land and mineral interests located in Wenatchee, Washington, U.S.A. The Company currently owns 270 acres of land, and owns 100% of the mineral interest in approximately 200 acres and a 70% mineral interest in an additional 350 acres. In the past, the Company financed its operations by selling land.

The Company's common shares are listed on the TSX Venture Exchange under the trading symbol "LRC". The Company's share options and share purchase warrants are not listed.

The Company's principal office is located at Suite 217 - 179 Davie Street, Vancouver, B.C., V6Z 2Y1.

The Company has changed is year end from December 31 to March 31, with effect on March 31, 2016. The fifteen month period ended March 31, 2016 represents the Company's transition year and is presented with comparative figures for the year ended December 31, 2014.

These consolidated financial statements are prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company has made an assessment of its ability to continue as a going concern and is aware of material adverse conditions as set out below that may cast significant doubt on the validity of this assumption. At March 31, 2016, the Company has no source of operating cash flow and a deficit of $ 5,645,058 (December 31, 2014 - $ 5,472,131). At March 31, 2016, the Company had a working capital deficiency of $ 1,148,820 (December 31, 2014 - $ 159,305) and expects to incur further losses in the development of its business.

The Company's ability to continue as a going concern is contingent on its ability to obtain additional financing. The current equity market conditions, the challenging funding environment and the low price of the Company's common shares make it dilutive and difficult to raise funds by the sale of the Company's shares. The junior resource industry has been severely impacted by the world economic situation, as it is considered to be a high-risk investment. In order to ensure its ability to continue operating, the Company expects to sell land and any remaining non-mining equipment and the cold storage building on five acres of land to finance a mineral exploration and development program. However, there is no assurance that any such activity will generate funds that will be available for investments or operations.

These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded assets, or the amounts of, and classification of, liabilities which would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

The amounts shown as mineral properties and related deferred costs represent costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interest, and on future profitable production or proceeds from the disposition of the mineral property interests.

2. Significant accounting policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the year ended March 31, 2016, using significant accounting policies outlined below.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the year ended March 31, 2016, using significant accounting policies outlined below.

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flows information.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Lovitt Mining Company, Inc. (a U.S. corporation). Lovitt Mining Company, Inc.'s financial statements include the accounts of its wholly owned subsidiary, Gold King Inc. (a U.S. corporation). All significant inter-company balances and transactions have been eliminated.

Critical judgments and sources of estimation uncertainty

The preparation of these consolidated 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 consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, 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.

Critical judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involved judgments or assessments made by management.

ii) Management is required to assess the functional currency of each entity in the Company. In concluding that the U.S. dollar is the functional currency of the parent and its subsidiary, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the Company operates. As no single currency was clearly dominant, the Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which fund are retained.

2. Significant accounting policies - continued

iii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgments on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

Management has determined that there were no impairment indicators present in respect of the Lovitt Mineral Property and as a result no impairment test was performed.

iv) Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

iv) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimates of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances. Details of these can be found in Note 11.

Estimation uncertainty
The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next fiscal year:

i) Depreciation expense is allocated based on assumed useful life of property, plant, and equipment. Should the useful life differ from the initial estimate, an adjustment would be made in the statement of operations.

ii) The assessment of any impairment of mineral properties and property, plant, and equipment is dependent upon estimates of the recoverable amount that take into account factors such as reserves, economic and market conditions and the useful life of assets.

iii) The cost estimates are updated periodically during the life of a mine 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. As at March 31, 2016 and December 31, 2014, there were no decommissioning liabilities.

iv) The valuation of financial instruments which are classified as fair value through profit or loss - see Note 10.

2. Significant accounting policies - continued

Cash equivalents

The Company considers all highly liquid investments with original maturity of three months or less when purchased to be cash equivalents. There are no cash equivalents at March 31, 2016 and December 31, 2014.

Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation and, where necessary, write-downs for impairment. Depreciation is provided over the expected useful life of each property, plant and equipment. The useful lives are reviewed annually. Land is reclassified as held for sale upon being listed for sale.

Mineral properties

Mineral property costs and exploration, development and field support costs directly relating to mineral properties are deferred until there is reasonable certainty as to the existence of economically recoverable mineral reserves and the property to which they relate is placed into production, sold or abandoned. Costs are amortized against future production from the property. Costs of abandoned properties are written off at the earlier of the decision to abandon the property or the expiry date of assessment work on the property. Administrative costs and other exploration costs that do not relate to any specific property are expensed as incurred. Mineral properties represent net expenditures incurred and capitalized as of the balance sheet date and do not necessarily reflect present or future values.

Decommissioning liability

Obligations to retire a non-current asset, including dismantling, restoration and similar activities, are provided for at the time they are incurred or an event occurs giving rise to such an obligation. The Company is subject to laws and regulations relating to environmental matters, including land reclamation and discharge of hazardous materials, in all jurisdictions in which it operates. The Company may be found to be responsible for damage caused by prior owners and operators of its unproven mineral interests and in relation to interests previously held by the Company. The Company believes it has conducted its exploration and evaluation activities in compliance with applicable environmental laws and regulations.

On initial recognition, the estimated fair value of a decommissioning liability is recorded as a liability and a corresponding amount is added to the capitalized cost of the related non-current asset. Costs for restoration of site damage which is created on an ongoing basis during the exploration and evaluation are provided for at their net present values and charged against profits in the period such exploration and evaluation occurs. Discount rates using a pre-tax-risk-free rate that reflects the time value of money are used to calculate the net present value. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. The decommissioning liability is evaluated at the end of each reporting period for changes in the estimated amount or timing of settlement of the obligation. The Company is not presently aware of any such obligations.

Impairment of non-financial assets

Impairment tests for non-financial assets are performed when there is an indication of impairment. At each reporting date, an assessment is made to determine whether there are any indications of impairment. If any indication of impairment exists, an estimate of the non-financial asset's recoverable amount is calculated. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset's value in use. If the carrying value of a non-financial asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit and loss so as to reduce the carrying amount of the non-financial asset to its recoverable amount.

2. Significant accounting policies - continued

Share capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity, net of any related income tax effects.

Non-cumulative preferred shares without mandatory redemption features are accounted for in accordance with the substance of the contractual arrangement and, as such, are classified as equity.

Dividends paid on preferred shares classified as equity are recorded against the deficit and are included in the statement of changes in equity.

Equity financing

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate mineral properties. These equity financing transactions may involve issuance of common shares or units. Units typically comprise a certain number of common shares and share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the terms of the transaction. The Company has adopted the residual value method with respect to the allocation of proceeds received on sale of units to the underlying common shares and share purchase warrants issued as private placement units. The fair value of the common shares issued in private placements is determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached share purchase warrants.

Share-based payment transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of share options granted is recognized as a share-based compensation expense with a corresponding increase in the contributed surplus included 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.

For employees the fair value is measured at grant date and each tranche is recognized separately on a straight line basis over the period during which the share options vest. The fair value of the share options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the share options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Equity-settled share-based payment transactions with non-employees are measured at the fair value of the goods or services received. However, if the fair value cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services.

Revenue recognition

Interest and other revenue is recognized in the period the amounts are earned and when collection is reasonably assured.

Land and other property, plant and equipment sales are recognized when title transfers to the purchaser, when collection of sales proceeds is reasonably assured and when all other obligations have been fulfilled.

2. Significant accounting policies - continued

Foreign currency translation

Functional and presentation currency

The financial statements of the Company's subsidiaries are prepared in the local currency of their home jurisdictions. Consolidation of the subsidiaries includes re-measurement from the local currency to the subsidiaries functional currency. The subsidiaries' functional currency, being the currency of the primary economic environment in which the subsidiaries operates, is the U.S. dollar. These consolidated financial statements are presented in U.S. dollars.

Exchange rates published by the Bank of Canada were used to translate the accounts in preparing the consolidated financial statements. Income and expenses for each statement of comprehensive loss presented are translated using the rates prevailing on the transaction dates. All resulting foreign exchange differences are recognized in comprehensive loss.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in comprehensive loss.

Loss per share

Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Current and deferred income taxes

Income tax expense is comprised of current and deferred income taxes. Current and deferred income taxes are recognized in profit and loss, except for income taxes relating to items recognized directly in equity or other comprehensive loss.

Current income taxes, if any, are the expected amount payable or receivable on the taxable income or loss for the year, calculated in accordance with applicable taxation laws and regulations, using income tax rates enacted or substantively enacted at the end of the reporting period, and any adjustments to amounts payable or receivable relating to previous years.

Deferred income taxes are provided using the liability method based on temporary differences arising between the income tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income taxes is determined using income tax rates and income tax laws and regulations that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

2. Significant accounting policies - continued

Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss.

Financial assets classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive income (loss). Cash is classified as fair value through profit or loss.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Amounts receivable and patronage dividends receivable are classified as loans and receivables.

Financial assets classified as available for sale are measured at fair value with realized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. At March 31, 2016 the Company has not classified any financial assets as available for sale.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities, accrued interest payable, note payable and long-term debt are classified as other financial liabilities.

Financial liabilities classified as fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At March 31, 2016 and December 31, 2014, the Company has not classified any financial liabilities as fair value through profit or loss.

Transaction costs

The Company recognizes transaction costs incurred in connection with the issuance of capital as share issuance costs which are netted against gross proceeds from related transactions rather than being expensed as incurred. Transaction costs for assets and liabilities classified as “fair value through profit or loss” or “available for sale” are expensed as incurred. Transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Effective interest method

The effective interest method calculates the amortized cost of a financial instrument asset or liability and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or liability, or where appropriate, a shorter period. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as fair value through profit or loss.

2. Significant accounting policies - continued

New standards and interpretations not yet adopted
The following is an overview of accounting standard changes that the Company will be required to adopt in future years. The Company does not expect to adopt any of these standards before their effective dates. The Company continues to evaluate the impact of these standards on its consolidated financial statements.

IFRS 9 - *Financial Instruments*. This standard partially replaces IAS 39 - *Financial Instruments: Recognition and Measurement*. IFRS 9 measures financial assets, after initial recognition, at either amortized cost or fair value. Existing IAS 39 classifies financial assets into four measurement categories. The standard is effective for annual periods beginning on or after January 1, 2018. In the year of adoption, the Company is required to provide additional disclosures relating to the reclassified financial assets and liabilities. The Company may, but is not required to, apply the standard retroactively. In and after the year of adoption, certain disclosures relating to financial assets will change to conform to the new categories.

IFRS 15 - *Revenue from Contracts with Customers.* The standard is effective for annual periods beginning on or after January 1, 2018. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 - *Revenue*, IAS 11 - *Construction Contracts*, and a number of revenue-related interpretations. The new standard will apply to nearly all contracts with customers; the main exceptions are leases, financial instruments and insurance contracts.

3. Assets held for sale

In 2008, the Company had reclassified the net book value of its high pressure equipment, originally recorded as property, plant and equipment, to assets held for sale. The Company expected to sell this equipment in 2009 for net proceeds greater than its carrying value. However, the market for such equipment is limited and specialized, and the net recoverable amount on sale cannot be readily determined. Hence the high pressure equipment has been written down to a nominal value. Any subsequent gain or loss on the sale of the high pressure equipment will be recorded in the period the equipment is sold.

During the year ended March 31, 2016, the Company sold assets classified as assets held for sale for net proceeds of $ 73,400 (December 31, 2014 - $ 56,165) which is included in miscellaneous income on the consolidated statement of loss.

(Expressed in U.S. Dollars)

4. Property, plant and equipment

	Land	Water rights	Equipment	Building	Computer equipment	Vehicles	Total
	$	$	$	$	$	$	$
Cost:							
Balance as at December 31, 2013	181,082	8,088	89,105	587,122	27,877	900	894,174
Additions	-	-	-	-	-	-	-
Disposals	-	(8,088)	-	-	-	-	(8,088)
Balance as at December 31, 2014	181,082	-	89,105	587,122	27,877	900	886,086
Additions	-	-	-	-	1,148	-	1,148
Disposals	-	-	(42,200)	-	-	-	(42,200)
Balance as at March 31, 2016	181,082	-	46,905	587,122	29,025	900	845,034
Accumulated depreciation:							
Balance as at December 31, 2013	-	-	55,212	554,434	19,794	900	630,340
Depreciation for the year	-	-	6,779	6,430	4,041	-	17,250
Adjustment for disposals	-	-	-	-	-	-	-
Balance as at December 31, 2014	-	-	61,991	560,864	23,835	900	647,590
Depreciation for the year	-	-	9,882	413	2,597	-	12,892
Adjustment for disposals	-	-	(29,512)	-	-	-	(29,512)
Balance as at March 31, 2016	-	-	42,361	561,277	26,432	900	630,970
Carrying amount:							
At December 31, 2014	181,082	-	27,114	26,258	4,042	-	238,497
Carrying amount:							
At March 31, 2016	181,082	-	4,544	25,845	2,593	-	214,064

(Expressed in U.S. Dollars)

5. Mineral properties

	2016 $	2014 $
Lovitt Mineral Property - Washington, U.S.A.	1	1
Golden King and MacBeth Claims - Washington, U.S.A.	1	1
Deferred exploration costs	517,494	471,580
	517,496	471,582

As at March 31, 2016, deferred exploration costs were as follows:

	$ Lovitt Property
Acquisition fees (lease payments)	-
Geology and consulting	250,364
Assay fees	22,211
Travel	101,827
Supplies and permits	30,944
Field expenditures	112,148
Total	517,494

As at December 31, 2014, deferred exploration costs were as follows:

	$ Lovitt Property
Acquisition fees (lease payments)	-
Geology and consulting	249,547
Assay fees	21,594
Travel	80,058
Supplies and permits	31,183
Field expenditures	90,198
Total	471,580

The Lovitt Mineral Property represents a 100% undivided interest in 200 acres and a 70% undivided interest in 350 acres with mineral rights. The Golden King and MacBeth claims represent a 100% undivided interest in 40 acres with mineral rights. The mineral interest is subject to a 5% net smelter royalty, payable to former minority investor of Lovitt Mining Company Inc., as an incentive to a buyout concluded in 2004.

Mineral properties include nominal acquisition costs as they were written down in prior years. In 2016, the Company incurred $ 45,913 (2014 - $ 8,713) of exploration costs.

(Expressed in U.S. Dollars)

6. Note payable

The Company has a promissory note payable of $ 4,423 (2014 - $ 4,945) to a corporation owned by a director of the Company. The note bears interest at 5% per annum, is not collateralized, and has no fixed terms of repayment.

7. Long-term debt

	2016 $	2014 $
Loan from a corporation controlled by a director of the Company - no required monthly payments; bearing interest at 5%, not collateralized, extended to October 1, 2016	94,380	94,380
Loan from a director of the Company and his immediate family - no required monthly payments; interest calculated at 5% per annum; not collateralized, due on October 1, 2016	349,881	238,726
Loan from corporation controlled by a director of the Company - no required monthly payments; interest calculated at 5% per annum; not collateralized, extended to October 1, 2016	25,000	100,000
Loan from a corporation controlled by a director of the Company - no required monthly payments; interest calculated at 5% per annum; not collateralized, extended to October 1, 2016	250,000	250,000
Loan from a director of the Company - no required monthly payments; interest calculated at 5% per annum; secured by land, due on October 31, 2016	210,000	210,000
Loan from a director of the Company - no required monthly payments; interest calculated at 12% per annum; secured by land, due on October 31, 2016	20,000	20,000
	949,261	913,106
Less: Current portion	(949,261)	-
	-	913,106

(Expressed in U.S. Dollars)

8. Share capital

Authorized - unlimited number of common shares without par value
- 100,000,000 preferred shares with par value of $ 0.00001 per share

(a) *Reconciliation of changes in share capital*
No private placements occurred during the 2016 and 2014 fiscal years.

(b) *Warrants*
No warrants are outstanding at March 31, 2016 and December 31, 2014.

(c) *Share option plan*
The Company has established a rolling share option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSXV. Options granted may be subject to vesting provisions as determined by the Board of Directors and have a maximum term of five years.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's share options.

The Company had Nil (2014 - Nil) share options outstanding as at March 31, 2016.

(d) *Preferred shares*:

	Number	$ Amount
Balance as at March 31, 2016 and December 31, 2014	75,160	1

Preferred shares issued are comprised of 75,160 non-cumulative preferred series A issue 1 share with a face value of $ 10 each, and a 5% annual coupon rate.

(Expressed in U.S. Dollars)

9. Segmented information

As at March 31, 2016 and December 31, 2014 the Company's identifiable assets, revenue and net income (loss) in each of the geographic areas is as follows:

			March 31, 2016 $
	Identifiable assets	Revenue	Net income (loss)
United States	749,364	-	63,067
Canada	5,878	-	(235,994)
	755,242	-	(172,927)

			December 31, 2014 $
	Identifiable assets	Revenue	Net income (loss)
United States	852,227	-	121,684
Canada	3,645	-	(201,246)
	855,872	-	(79,562)

Included in the identified assets are the assets held for sale which are described in Note 3.

10. Financial instruments and risk management

a) Fair value

Fair value hierarchy
IFRS 7 establishes a fair value hierarchy, for financial instruments measured at fair value, that reflects the significance of inputs used in making fair value measurements as follows:

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

The fair value of cash is based on Level 1 inputs for the fair value hierarchy.

(Expressed in U.S. Dollars)

10. Financial instruments and risk management - continued

The fair value of financial instruments at March 31, 2016 and December 31, 2014 are summarized as follows:

				$
	March 31, 2016		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Fair value through profit or loss				
Cash	18,698	18,698	14,419	14,419
Loans and receivables	1,165	1,165	126,926	126,926
Patronage dividends receivable	2	2	4,447	4,447
Financial liabilities				
Other financial liabilities				
Accounts payable and accrued liabilities	30,773	30,773	43,337	43,337
Accrued interest payable	188,042	188,042	127,368	127,368
Note payable	4,423	4,423	4,945	4,945
Current portion of long-term debt to related parties*	949,261	949,261	913,106	913,106

* Based on management's assessment, the carrying value of long-term debt reasonably approximates its fair value.

b) Financial risk management
The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. Cash and amounts receivable and patronage dividends receivable are exposed to credit risk due to the potential for counterparties to default on their contractual obligations. The maximum potential loss on all financial instruments is equal to the carrying amount of those items. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

Liquidity risk
The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash, in addition to listing assets that it can sell. The Company intends also to raise additional financing through the issuance of capital and its ability to do so is dependent on a number of factors including market acceptance, stock price and exploration results. See also Note 1.

Interest rate risk
Note payable and long-term debt bear interest at fixed rates, or do not bear interest, and therefore do not expose the Company to interest rate cash flow risk.

10. Financial instruments and risk management - continued

Foreign exchange risk
The Company is subject to foreign exchange rate risk as the Company incurs transactions and has assets and liabilities denominated in Canadian dollars, whereas the parent and subsidiaries' functional and reporting currency is the U.S. dollar.

Price risk
The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company's portfolio of properties has exposure to predominantly gold. The price of this commodity will affect the value of the Company and the potential value of its properties.

11. Income taxes

The Company has non-capital losses for Canadian income tax purposes of approximately $ 825,000 (CAD $ 1,024,000) available to reduce future years' taxable income. The Company also has net operating loss carryforwards for tax purposes of approximately $ 2,566,000 (2014 - $ 2,562,000) available for deduction against future taxable income in the United States. The benefit of these non-capital losses has not been recognized in the Company's accounts as there is no reasonable assurance such benefit will be realized. If unused, the non-capital losses will expire as follows: $ 883,000 in 2026, $ 5,000 in 2027, $ 317,000 in 2029, $ 604,000 in 2030, $ 403,000 in 2031, $ 399,000 in 2032, $ 186,000 in 2033, $ 206,000 in 2034, $ 38,000 in 2035.

The Company has Undepreciated Mineral Property Cost for US tax purposes of $ 457,000. These available deductions have no expiry date and can be offset against future taxable income. The potential tax benefit of these amounts has not been reflected in these accounts.

The significant components of the Company's unrecognized deferred income taxes are as follows as at March 31, 2016 and December 31, 2014:

	2016 $	2014 $
Deferred income tax assets		
Benefit of loss carryforwards	1,065,000	1,021,000
Benefit of resources tax pool	229,000	86,000
	1,294,000	1,107,000

(Expressed in U.S. Dollars)

11. Income taxes - continued

The following is a reconciliation of the statutory combined federal and provincial income taxes to the effective income taxes:

	2016 $	2014 $
Income taxes (recovery) at statutory income taxes rates (2016 - 26%; 2014 - 26%)	(21,000)	(16,000)
Effect of foreign income taxed at different rates	(4,000)	(3,000)
Effect of income tax rate changes	-	1,500
Unrecognized benefit of income	25,000	17,500
Actual income tax rate recovery	-	-

12. Related party transactions

As at March 31, 2016, accounts payable includes $ 660 (2014 - $ 810) owed to a director and members of his immediate family and $ 8,751 (2014 - $ 9,784) owed to two corporations owned by a director.

As at March 31, 2016, accrued interest payable includes $ 29,756 (2014 - $ 12,303) due to a director and members of his immediate family and a corporation owned by the director. Accrued interest payable also includes $ 158,286 (2014 - $ 91,152) due to corporations controlled by directors.

As at March 31, 2016, long term debt includes loans outstanding of $ 949,261 (2014 - $ 913,106) to corporations controlled by directors. See also Note 6 for note payable to related party.

During the year ended March 31, 2016, the Company was charged $ 174,265 (2014 - $ 128,022) for accounting, consulting, salary and benefits, management services and casual labour provided by directors and members of their immediate families and by a corporation owned by a director of the Company.

During the year ended March 31, 2016, the Company paid $ 9,615 (2014 - $ 8,148) for office rent to a director. Also, during the year ended March 31, 2016, the Company was charged $ 58,844 (2014 - $ 41,385) for interest on the outstanding loans from a director of the Company (and members of his immediate family) and by corporations controlled by a management personnel and directors during the year ended March 31, 2016.

Key management compensation
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and Board of Director members.

During the year ended March 31, 2016, $ 150,500 (2014 - $ 114,668) was charged for management fees by the CEO.

13. Supplemental cash flow information

During 2016, $ 75,000 of the note receivable was reduced by a corresponding reduction in long-term debt.

During 2014, $ 13,866 of accounts payable was settled upon issuance of long-term debt.

14. Capital management

The Company manages as capital its share capital and long-term debt. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to acquire and explore mineral interests. The Company funds operations and exploration activities from the issuance of shares generally through private placements, obtaining loans and selling its assets held for sale.

There were no changes to the Company's approach to capital management during 2016 or 2014. The Company is not subject to externally imposed capital requirements.