Lovitt Resources Inc.

CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months ending June 30, 2017

(Expressed in U.S. Dollars)

(Unaudited)

Prepared by management without benefit of audit.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed consolidated unaudited interim financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Lovitt Resources Inc.

INTERIM CONSOLOLIDATED STATEMENT OF FINANCIAL POSITION

(Unaudited - Expressed in U.S. Dollars)

		June 30 2017		March 31 2017 Audited
ASSETS				
CURRENT ASSETS				
Cash	$	18,800	$	57,630
Accounts receivable		1,385		1,468
Prepaid expenses		1,778		1,573
Security deposit		-		3,722
	$	21,963	$	64,393
ASSETS HELD FOR SALE		-		-
PROPERTY PLANT AND EQUIPMENT		183,469		186,627
MINERAL PROPERTIES		546,895		543,440
PATRONAGE DIVIDENDS RECEIVABLE		2		2
	$	752,329	$	794,462
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and accrued liabilities		11,743	$	11,526
Accrued interest payable		219,654		210,707
Note payable		5,737		4,314
Current portion of long term debt		893,749		869,694
	$	1,130,883	$	1,096,241
LONG-TERM DEBT		-		-
	$	1,130,883	$	1,096,241
SHAREHOLDER'S EQUITY (DEFICIENCY)				
SHARE CAPITAL		4,312,197		4,312,197
CONTRIBUTED SURPLUS		935,727		935,727
CURRENCY TRANSLATION RESERVE		(19,987)		(19,987)
DEFICIT		(5,606,491)		(5,529,716)
		(378,554)		(301,779)
	$	752,329	$	794,462

C. Lorne Brown Director

Dominic M. Lapenna Director

Prepared by Management without benefit of audit

Lovitt Resources Inc.

Interim Condensed Consolidated Statement of Profit and Loss

(Unaudited - Expressed in U.S. Dollars)

	Three months ending	
	30-Jun-17	30-Jun-16
EXPENSES		
Depreciation	458	2,275
General and administrative	30,215	19,488
Interest on debt formerly long term	13,949	12,305
Interest-other	-	315
Management fees	30,000	30,000
Foreign Exchange Gain/(Loss)	2,153	-4,190
NET LOSS	76,775	60,193
MISCELLANEOUS INCOME	3,391	3,100
NET LOSS FOR THE PERIOD	73,384	57,093
LOSS PER SHARE - basic and diluted	0.008	0.006
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	9,324,951	9,324,951

Lovitt Resources Inc.

INTERIM CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY

(Unaudited - Expressed in US Dollars)

	Three Months ended	
	June 30th 2017	**June 30th 2016**
Share Capital:		
Balance, beginning of period	4,312,196	4,312,196
Shares issued in period, net of issue expense	--	--
Shares ussued for mineral property lease	--	--
Fair value of options execised	--	--
Fair value of warrants execised	--	--
Balance, end of period	4,312,196	4,312,196
Contributed Surplus:		
Balance, beginning of period	935,727	935,727
Fair value, share-based option compensation	--	--
Fair value of options vested	--	--
Fair value of options transferred to share capital	--	--
Balance, end of period	935,727	935,727
Deficit:		
Balance, beginning of period	(5,529,716)	(5,645,058)
Loss for period	(76,775)	(57,093)
Balance, end of period	(5,606,491)	(5,702,151)
Total Shareholder's Equity (deficiency)	(378,554)	(467,477)

Prepared by management without benefit of audit.

Lovitt Resources Inc.
Interim Condensed Consolidated Statement of Cash Flows
(Unaudited - Expressed in US Dollars)

	Three months ended June 30th	
	2017	**2016**
Cash flows from (used in) operatimg activities		
Net income (loss) for the quarter	(76,775)	(57,093)
Items not affecting cash		
Depreciation of property plant and equipment	458	2,275
Gain on sale of property plant and equipment		-
Gain on sale of assets held for sale	-	-
Changes in non-cash working capital		
Decrease (increase) in:		
Amounts receivable	83	951
Inventory and capital assets		3,773
Prepaid expenses	(205)	(3,833)
Note receivable	-	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	217	8,333
Accrued interest payable	8,947	20,180
Note payable	423	1,314
	(66,852)	(24,100)
Cash flows from investing activities		
Purchase of property, plant and equipment		-
Expenditure on mineral properties	(3,455)	(204)
Patronage dividends received	-	-
Proceeds from sale of assets held for sale	-	-
Proceeds from sale of property, plant and equipment	3,391	3,100
	(64)	2,896
Cash flows from financing activity		
Short term debt repayment	-	-
Short term debt proceeds	38,086	7,158
	38,086	7,158
Increase (decrease) in cash during the quarter	(38,830)	(14,046)
Cash, beginning of quarter	57,630	18,698
Cash, end of period	18,800	4,652

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 mineral interests in approximately 300 acres. Since 2012, the Company financed its operations by selling land, a cabin, a building and surplus equipment.

The Company's common shares are currently traded on the TSX NEX Exchange under the trading symbol "LRC.H" and on the US OTCQB market with trading symbol "LRCFF".

The Company's principal office is located at 7001 Nicholson Road, Abbotsford, BC V4X 2G5.

The Company's ability to develop the Lovitt Gold Mine is contingent on its ability to obtain substantial 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.

The interim condensed 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

Conversion to international financial reporting standards
These interim condensed consolidated financial statements have been prepared in accordance with International Financial International Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. These interim condensed consolidated financial statements represent the Company's initial presentation of its results and financial position under IFRS. These interim condensed consolidated financial statements for the nine months ended September 30, 2014 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and IFRS 1 *First-time Adoption of IFRS* along with the accounting policies the Company adopted in its December 31, 2012 financial statements. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ('IFRIC") interpretations that the Company expects to be applicable at that time. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

Basis of preparation
These interim condensed 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 interim condensed consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flows information.

The preparation of these interim condensed consolidated financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these interim consolidated financial statements. They also have been applied in preparing an opening IFRS statement of financial position at January 1, 2010 for the purposes of the transition to IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1").

Principles of consolidation
These interim condensed 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 accounting estimates and assumptions
The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions are continuously assessed by management. The estimates and assumptions are based on historical experience and other factors, including realistic assessment of future developments. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next fiscal year include the assumptions and estimates relating to but not limited to, fair values for purposes of impairment analysis and the realizable value of deferred income tax assets.

2. **SIGNIFICANT ACCOUNTING POLICIES, con't**

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 June 30, 2017..

Property, plant and equipment
Property, plant and equipment are carried at historical cost less accumulated amortization and, where necessary, write-downs for impairment. Amortization is provided on a straight-line basis over the expected useful life of each property, plant and equipment. 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. The Company follows procedures to verify title for each of its mineral properties in accordance with industry standards and, to the best of its knowledge these mineral properties are in good standing. These procedures, however, will not necessarily prevent future challenges by third parties as to the validity of the Company's interests in its mineral properties.

Patronage dividends receivable
Patronage dividends are accounted for using the equity method and are redeemable at the discretion of the issuing co-operative.

Provisions for site restoration
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 environment laws and regulations.

On initial recognition, the estimated fair value of a provision is recorded as a liability and a corresponding amount is added to the capitalized cost of the related non-current asset. The liability in increased over time through periodic charges to profit and loss. The provision 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.

Share-based payments
The fair value, at the grant date, of equity-settled shares awards is charged to comprehensive loss over the period for which the benefits of employee and others providing similar services are expected to be received. The corresponding accrued entitlement is recorded in the share award reserve. The fair value of awards is calculated using the Block-Scholes pricing model which considers the following factors:

- Exercise price
- Expected volatility
- Risk-free interest rate
- Expected life of the award
- Current market price of the underlying shares
- Expected forfeitures

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

Land and other capital asset 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.

Foreign currency translation
Functional and presentation currency

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

Exchange rates published by the Bank of Canada were used to translate subsidiary's financial statements into 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 as a 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.

Earnings (loss) per share
Earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the quarter, which amounted to 9,324,951 shares (September 30, 2016 – 9,324,951 shares). Diluted earnings (loss) per share is presented using the treasury stock method and is calculated by dividing the net income (loss) applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

Income taxes
Income taxes 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 income.

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 interim condensed consolidated financial statements. Deferred income tax 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.

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 receivable 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 profit and 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 September 30, 2016 the Company has not classified any financial assets as available for sale on its balance sheet.

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 December 31, 2016 the Company has not classified any financial liabilities as fair value through profit or loss.

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.

Transaction costs
The Company recognizes transaction costs incurred, in connection with the issuance of capital, 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.

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 less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019. 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.

IFRS 16 - *Leases.* The standard specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or longer.

3. CHANGES IN ACCOUNTING POLICIES

Recognition of expense
Canadian GAAP – For share option awards and other share-based payments with graded vesting, the total fair value of the award is recognized on a straight-line basis over the period necessary to vest the award.

IFRS – Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis. The Company issues share purchase warrants but does not issue any share options; hence this change in policy had no effect on the Company's financial statements.

Forfeitures
Canadian GAAP – Forfeitures of award are recognized as they occur.

IFRS – An estimate is required of the number of awards expected to vest, which is revised if subsequent information indicates that actual forfeitures are likely to differ from the estimate. The Company issues share purchase warrants but does not issue any share options; share options vest immediately when awarded; hence this change in policy had no effect on the Company's financial statements.

4. ASSETS HELD FOR SALE

The Company sells surplus equipment, supplies and real estate in the normal course of business. At present, there is not a plan to adopt a formal plan for the sale of assets. Real estate is on the books of the company at 1950's prices.

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(Unaudited - Expressed in U.S. Dollars)

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Equipment	Building	Computer equipment	Total
COST:					
Balance at March 31, 2016	181,082	46,905	587,122	29,025	844,134
Additions/disposals/transfers	-	-	-	-	-
Balance at June 30, 2016	181,082	46,905	587,122	29,025	844,134
DEPRECIATION					
Balance at March 31, 2016	-	42,361	561,277	26,432	630,070
DEPRECIATION	-	2,145	-	130	2,275
Plus cumulative impairment losses	-	-	-	-	-
Balance at June 30, 2016	-	44,506	561,277	26,562	632,345
Carrying amount at June 30, 2016	**181,082**	**2,399**	**25,845**	**2,463**	**211,789**
Carrying amount at June 30, 2015	181,082	24,403	26,258	3,537	235,280
COST:					
Balance at March 31, 2017	177,810	50,405	-	30,005	258,220
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
Balance at June. 30, 2017	177,810	50,405		30,005	258,220
DEPRECIATION			-		
Balance as at March 31, 2017	-	46,320	-	27,973	74,293
Depreciation	-	306	-	152	458
Added to cumulative impairment losses	-	-	-	-	-
Balance as at June 30, 2017	177,810	46,626		28,125	252,561
Carrying amount at June 30, 2017	**177,810**	**3,779**	**Sold**	**1,880**	**183,469**
Carrying amount at June 30, 2016	181,082	2,399	25,845	2,463	211,789

(Unaudited – Expressed in U.S. Dollars)

6. **MINERAL PROPERTIES**

		June 30, 2017		March 31, 2017 AUDITED
Lovitt Mineral Property - Washington, U.S.A.	$	1	$	1
Golden King and MacBeth Claims - Washington, U.S.A.		1		1
Deferred exploration costs		546,895		543,440
	$	3,455	$	543,440

The Lovitt Mineral Properties encompass 600 acres of mineral rights with 40 acres of patented claims, and Lovitt Gold Mine workings with 3,000 feet of workings horizontally and 800 feet vertically. The Lovitt mine suspended operations in 1966 when profits were marginalized with inflation raging with gold held at a fixed price of $37 per oz. The Golden King and MacBeth patented claims produced 410,000 oz of gold and 600,000 oz. of silver between 1950 and 1966 at a grade of 0.40 oz/gold per ton. The mineral interest is subject to a 5% net smelter royalty, payable to former minority investors of Lovitt Mining Company Inc., as an incentive to a buyout agreement concluded in 2005.

Mineral properties show nominal acquisition costs as they were written down in prior years. During the three months ended December 31, 2016, the Company incurred $ 3,455 in exploration expenditures in a mine sampling program.

During 2009, the Company's wholly-owned subsidiary Gold King Inc., entered into a lease agreement with B.J. Matthews, Trustee of the B.J. Matthews and Geneva G. Matthews Trust for the exclusive right to explore, mine, and produce on a 155 acre property located in Chelan County, in the State of Washington. An initial payment of $ 25,000 was made and 60,000 common shares of the Company were issued upon signing the agreement. Additional lease payments in the amount of $ 30,000 were made in 2010 and 2011. This agreement was terminated in 2012, and a write off of $ 114,627 was recorded as noted in the 2012 annual audited statements. The company believes that the property has merit, but lower gold prices from a peak price of 1,900 per oz. in early 2011 were negative to financing deep diamond drill exploration.

7. **NOTE PAYABLE**

The Company has a promissory note payable of $ 5,737 US to a shareholder of the Company. This note bears interest of 5%, is not collateralized, and has no fixed terms of repayment.

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Unaudited - Expressed in U.S. Dollars

8. LONG-TERM DEBT		March 30, 2017		Audited March 31, 2017
Loan from a director of the Company- no required monthly payments; bearing interest at 5%; not collateralized, interest rate of 5% due on demand.	$	94,380	$	94,380
Loan from a director of the Company and his immediate family no required monthly payments; interest 5% annually, not collaterized, due on demand.		525,703		500,314
Loan from a corporation controlled by a director of the Company-no required monthly payment; not collateralized, with interest of 5%, due on demand		250,000		250,000
Loan from a corporation controlled by a director of the company - no required monthly payments, with interest at 5%, not collateralized, due on demand.		25,000		100,000
	$	895,083		944,694

9. SHARE CAPITAL AND RESERVES

Authorized – Unlimited number of common shares without par value

Issued	Number	$
Balance, as at June 30, 2016	9,324,951	4,312,187
Issued during the 12 months from June 30, 2016 to present	Nil	
Balance, as at June 30, 2017	9,324,951	4,312,197

No options and no warrants were outstanding at June 30, 2017

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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 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
Not 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.

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 Company's 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. RELATED PARTY TRANSACTIONS

During the three-month period ending June 30, 2017 the Company was charged $ 30,000 (2016- $30,000) of which 80% was accrued for accounting, consulting, and management services provided by a director and officer of the Company. The company accrued $ 8,947 in the quarter for interest on outstanding loans from related parties. During this quarter the Company paid
A Director was paid $ 2,250 CDN (2016 – $ 2,250) in rent for appx..1,000 sq.ft. of office and storage space. .

Debt accumulated to June 30, 2017 includes loans outstanding of $ 893,749 (2016-$ 956,419) individually or to Corporations controlled by Directors of the Company or their family members.

12. CAPITAL MANAGEMENT

The Company manages capital as its share of 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 currently funds its activity by selling excess equipment and real estate, but with a higher level of exploration and development activity funds will be sourced through the issuance of shares generally through private placements, or obtaining asset based loans.

There was no change to the Company's approach to capital management from 2016 to the current date. The Company is not subject to externally imposed capital requirements.

13. SUBSEQUENT EVENTS

The company continues to investigate the potential acquisition of mineral properties in Western Canada and the US by staking, option, or outright purchase.

The company has resumed exploration by sampling various areas in the Lovitt Gold Mine to confirm histroric mineral data in advance of a diamond drill program as soon as permitting allows.