NORTHERN VERTEX

MINING CORP

Consolidated Financial Statements

For the Years Ended June 30, 2016 and 2015

To the Shareholders of Northern Vertex Mining Corp.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards ("IFRS"). This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and the Audit Committee is composed primarily of Directors who are neither management nor employees of Northern Vertex Mining Corp. ("Northern Vertex"). The Board is responsible for overseeing management in the performance of its financial reporting responsibilities and for approving the financial statements. The Audit Committee has the responsibility of meeting with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of Northern Vertex's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements in accordance with Canadian Generally Accepted Auditing Standards and provide an independent auditor's opinion. Their report is presented with the consolidated financial statements. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

"Kenneth Berry"	*"Christopher Park"*
Kenneth Berry	Christopher Park
Chief Executive Officer	Chief Financial Officer

October 24, 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Northern Vertex Mining Corp.:

We have audited the accompanying consolidated financial statements of Northern Vertex Mining Corp., which comprise the consolidated statements of financial position as at June 30, 2016 and 2015, and the consolidated statements of income (loss), comprehensive loss, changes in shareholders' equity, and cash flows for the years 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated 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 audits 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 auditors' 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 opinions.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Northern Vertex Mining Corp. as at June 30, 2016 and 2015, and the results of their financial performance and their 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 of these consolidated financial statements, which states that Northern Vertex Mining Corp. incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of Northern Vertex Mining Corp. to continue as a going concern.

MNP LLP

Vancouver, BC
October 24, 2016

Chartered Professional Accountants

NORTHERN VERTEX MINING CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2016 and June 30, 2015

Expressed in Canadian Dollars

	Notes		June 30 2016		June 30, 2015
ASSETS					
Current assets					
Cash		**$**	**1,297,416**	$	3,209,343
Trade and other receivables	5		**25,527**		29,536
Prepaid expenses and deposits			**182,483**		73,225
Total current assets			**1,505,426**		3,312,104
Non-current assets					
Reclamation deposits	6		**14,842**		13,752
Property, plant and equipment	7		**1,403,914**		1,047,832
Mining interests	9		**25,674,510**		22,368,179
Deferred financing costs			**35,659**		-
Intangible assets	10		**-**		56,281
Total assets		**$**	**28,634,351**	$	26,798,148
LIABILITIES					
Current liabilities					
Trade and other payables	11	**$**	**694,259**	$	420,977
Convertible debenture subscriptions received in advance	22		**150,000**		-
			844,259		420,977
Non-current liabilities					
Long-term accrued payables	9		**-**		128,969
Provision for reclamation and remediation	12		**1,055,130**		934,120
Total liabilities			**1,899,389**		1,484,066
SHAREHOLDERS' EQUITY					
Share capital	13		**23,045,440**		21,484,748
Subscriptions received in advance	13a		**-**		1,280,400
Contributed surplus	13		**20,284,052**		16,097,336
Accumulated other comprehensive loss			**(1,708,364)**		(2,411,428)
Deficit			**(14,886,166)**		(11,136,974)
Total shareholders' equity			**26,734,962**		25,314,082
Total liabilities and shareholders' equity		**$**	**28,634,351**	$	26,798,148

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Approved and authorized on behalf of the Board:

"Kenneth Berry"
Director

"David Farrell"
Director

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

NORTHERN VERTEX MINING CORP.
CONSOLIDATED STATEMENTS OF (LOSS) INCOME

Years ended June 30, 2016 and June 30, 2015
Expressed in Canadian Dollars

	Notes		2016		2015
Administrative expenses					
Depreciation		**$**	**255,900**	$	58,341
Management fees			**120,000**		60,000
Marketing and community relations			**220,193**		46,884
Office and miscellaneous			**218,174**		209,669
Professional fees			**1,465,551**		218,077
Property fees			**-**		147,609
Property taxes			**23,821**		-
Rent			**44,961**		43,355
Salaries, wages, benefits and subcontractor expenses			**1,097,788**		696,673
Share-based payments	13c		**115,381**		223,999
Site security			**66,779**		-
Tax recovery from gold and silver sales			**-**		(33,592)
Transfer agent and filing fees			**41,975**		38,266
Travel, meetings and conferences			**89,105**		71,047
Loss before other expenses			**(3,759,628)**		(1,780,328)
Other income (expenses)					
Foreign exchange gain	14		**3,706**		5,545,653
Interest and other income			**12,930**		38,736
Deferred sales proceeds	8		**-**		11,393
Loss on disposal of fixed assets			**(6,200)**		-
Net (loss) income for the year			**(3,749,192)**		3,815,454
Foreign currency translation			**703,064**		(2,257,313)
Comprehensive (loss) income for the year			**(3,046,128)**		1,558,141
Basic and diluted (loss) income per share		**$**	**(0.04)**	$	0.05
Weighted average number of shares outstanding			**87,901,166**		72,730,141

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

NORTHERN VERTEX MINING CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years ended June 30, 2016 and June 30, 2015
Expressed in Canadian Dollars

	Number of Shares		Share Capital		Subscriptions Received in Advance		Contributed Surplus		Accumulated Other Comprehensive Income (Loss)		Deficit		Total Equity
Balance, June 30, 2014	**57,899,348**	**$**	**19,354,771**	**$**	**2,355,000**	**$**	**14,487,236**	**$**	**(154,115)**	**$**	**(14,952,428)**	**$**	**21,090,464**
Shares issued for cash, net of issuance costs	15,042,098		2,212,873		(2,355,000)		1,303,205		-		-		1,161,078
Subscriptions received in advance (Note 13a)	-		-		1,280,400		-		-		-		1,280,400
Warrant expiration date amendment	-		(82,896)		-		82,896		-		-		-
Share-based payments	-		-		-		223,999		-		-		223,999
Foreign currency translation	-		-		-		-		(2,257,313)		-		(2,257,313)
Net income for the year	-		-		-		-		-		3,815,454		3,815,454
Balance, June 30, 2015	**72,941,446**	**$**	**21,484,748**	**$**	**1,280,400**	**$**	**16,097,336**	**$**	**(2,411,428)**	**$**	**(11,136,974)**	**$**	**25,314,082**
Balance, June 30, 2015	**72,941,446**	**$**	**21,484,748**	**$**	**1,280,400**	**$**	**16,097,336**	**$**	**(2,411,428)**	**$**	**(11,136,974)**	**$**	**25,314,082**
Shares issued for cash, net of issuance costs	21,489,875		2,502,960		-		2,786,211		-		-		5,289,171
Shares issued for mining interests (Note 9)	857,140		342,856		-		-		-		-		342,856
Subscriptions received in advance (Note 13a)	-		-		(1,280,400)		-		-		-		(1,280,400)
Warrant expiration date amendment	-		(1,285,124)		-		1,285,124		-		-		-
Share-based payments	-		-		-		115,381		-		-		115,381
Foreign currency translation	-		-		-		-		703,064		-		703,064
Net (loss) for the year	-		-		-		-		-		(3,749,192)		(3,749,192)
Balance, June 30, 2016	**95,288,461**	**$**	**23,045,440**	**$**	**-**	**$**	**20,284,052**	**$**	**(1,708,364)**	**$**	**(14,886,166)**	**$**	**26,734,962**

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

NORTHERN VERTEX MINING CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2016 and June 30, 2015
Expressed in Canadian Dollars

	Notes	**2016**	2015
Cash flows from operating activities			
Net income (loss) for the year		**$ (3,749,192)**	$ 3,815,454
Items not affecting cash:			
Share-based payments	13c	**115,381**	223,999
Loss on disposal of fixed assets		**6,200**	-
Depreciation		**255,900**	58,341
Unrealized foreign exchange gain	14	**16,902**	(5,393,539)
Changes in non-cash working capital balances:			
Trade and other receivables		**3,940**	115,221
Prepaid expenses and deposits		**(108,326)**	4,867
Trade and other payables		**22,041**	(773,132)
Cash used in operating activities		**(3,437,154)**	(1,948,789)
Cash flows from financing activities			
Net proceeds from issuance of share capital		**5,289,170**	1,153,416
Subscriptions received in advance	13	**(1,130,400)**	1,280,400
Deferred financing costs		**(35,659)**	-
Cash provided by financing activities		**4,123,111**	2,433,816
Cash flows from investing activities			
Mining interests expenditures		**(1,886,441)**	(3,297,794)
Property, plant and equipment expenditures		**(713,155)**	-
Redemption of reclamation deposits, before interest		**(637)**	841,075
Mining interests proceeds		**-**	866,455
Purchase of intangible assets		**-**	(2,425)
Proceeds from deferred cash payments	8	**-**	67,116
Long-term accrued payables		**-**	121,213
Cash used in investing activities		**(2,600,233)**	(1,404,360)
Effect of foreign exchange rate changes on cash		**2,349**	75,864
Decrease in cash during the year		**(1,911,927)**	(843,469)
Cash, beginning of the year		**3,209,343**	4,052,812
Cash, end of the year		**$ 1,297,416**	$ 3,209,343

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

1 Nature of operations and going concern

Nature of operations

Northern Vertex Mining Corp. (the "Company") is a resident Canadian mineral exploration and development company incorporated under the Business Corporations Act (British Columbia). The address of the Company's registered office is Suite 1820 – 1055 West Hastings St. Vancouver, British Columbia, Canada.

The Company's principal business is to acquire, explore and develop mineral properties principally located in the United States and Canada with the mandate of identifying mineralized deposits that demonstrate near-term production potential and long-term sustainable growth.

The Company's primary project is the Moss Gold-Silver deposit (the "Moss Mine") located in Mohave County, Arizona.

Going concern

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. There are conditions and events, which constitute material uncertainties that may cast significant doubt on the validity of this assumption.

The Company has experienced operating losses and negative operating cash flows since inception and has no assurances that sufficient financing will be available to continue in operation for the foreseeable future. Ongoing operations and continual development of the Moss Mine are dependent on the Company's ability to obtain public equity financing by the issuance of share capital and to secure debt financing.

During the years ended June 30, 2016 and June 30, 2015, the Company raised net proceeds of $4,158,770 and $2,433,816 respectively, from private placements. To continue development at the Moss Mine, the Company will require additional financing. While the Company has been successful at raising funds in the past, there can be no assurance that it will be able to do so in the future.

On May 25, 2016, the Company announced a non-brokered private placement of unsecured convertible debentures (the "Debentures") for gross proceeds of up to $7,500,000. On July 15, 2016, the Company announced the closing of the initial tranche, raising gross proceeds of $7,225,000 through the issuance of the Debentures (Note 22). As at June 30, 2016, $150,000 was received by the Company.

These consolidated financial statements do not reflect any adjustments, which may be material, to the carrying values of assets and liabilities, which may be required should the Company be unable to continue as a going concern.

Working capital, as at June 30, 2016, was $661,167. With cash proceeds from the private placement of the Debentures, the Company believes it should have sufficient capital resources to meet its obligations for at least twelve months from the end of the reporting year.

1 Nature of operations and going concern (continued)

As of June 30, 2016 and 2015 the Company had the following working capital and deficit balances:

		June 30, 2016		June 30, 2015
Working capital	**$**	**661,167**	$	2,891,127
Deficit		**(14,886,166)**		(11,136,974)

2 Basis of preparation

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively, "IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on October 24, 2016.

3 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been applied consistently to all of the years presented in these consolidated financial statements, unless otherwise indicated.

Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Company has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Company, until the date on which control ceases. These consolidated financial statements include the accounts of two wholly-owned subsidiaries, Golden Vertex Corp. and Golden Vertex (Idaho) Corp., both incorporated in the United States. All inter-company balances, and unrealized gains and losses on intercompany transactions, have been eliminated for consolidation purposes.

Foreign currency translation

Functional and presentation currency

Transactions included in the accounts of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the parent company and the Company's presentation currency.

Transactions and balances

Transactions denominated in foreign currencies are translated into the relevant functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of (loss) income.

3 Significant accounting policies (continued)

Translation of subsidiary results into the presentation currency

The operating results and statements of financial position of each of the Company’s subsidiaries with functional currencies different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities presented are translated at the year end closing rate as at the date of the statements of financial position;
- Income and expenses for the statements of operations and loss are translated at average exchange rates, unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated at the rate on the dates of the transactions; and
- All resulting exchange differences from translating foreign operations are recognized in a separate component of shareholders’ equity as other comprehensive (loss) income.

Cash

Cash presented in assets on the consolidated statements of financial position and the consolidated statements of cash flows at June 30, 2016 and June 30, 2015 consisted entirely of cash on deposit with a Canadian Schedule I financial institution and a US-chartered commercial bank and are subject to negligible risk of changes in value.

Exploration and evaluation assets

Exploration and evaluation assets represent properties on which the Company is conducting exploration to determine whether significant mineralization exists or for which the Company has identified a mineral resource of such quantity and grade or quality that it has reasonable prospects for economic extraction. All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on an area of interest are expensed as incurred. Once the legal right to explore has been obtained, exploration expenditures are capitalized in respect of each identifiable area of interest until a technical feasibility study has been completed and the commercial viability of extracting a mineral resource is demonstrable. Exploration and evaluation activities include the following:

- acquiring the rights to explore;
- researching and analyzing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource; and
- compiling pre-feasibility and feasibility studies.

Proceeds from gold and silver sales, net of royalties and selling costs, during the exploration and evaluation phase are offset against costs capitalized as production is directly attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management. Exploration and evaluation assets are carried at historical cost, less any impairment, if applicable.

Exploration and evaluation assets are transferred to development or producing mining interests when technical feasibility and commercial viability of the mineral resource have been demonstrated. Factors taken into consideration include:

- the extent to which mineral reserves or mineral resources have been identified through a feasibility study or similar level document;
- life of mine plan and economic modeling support the economic extraction of such reserves and resources;

3 Significant accounting policies (continued)

- no legal encumbrances exist which would cast significant doubt on the commercial viability of the mineral reserves; and
- operating and environmental permits exist or are reasonably assured as obtainable.

Exploration and evaluation expenditures remain as exploration and evaluation assets and do not qualify as development or producing mining interests until the above criteria are met.

Mining interests

Exploration, development and field support costs directly related to mining interests are deferred until the property to which they directly relate is placed into production, sold, abandoned or subject to a condition of impairment. The deferred costs are amortized over the useful life of the ore body following commencement of production, or written off if the property is sold or abandoned.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment includes the purchase price or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use, an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and borrowing costs related to the acquisition or construction of qualifying assets.

Property, plant and equipment are depreciated using either the straight-line or units-of production method over the shorter of the estimated useful life of the asset or the expected life of mine. Where an item of property, plant and equipment comprises of major components with different useful lives, the components are accounted for as separate items of property, plant and equipment. Assets under construction are recorded at cost and reclassified to machinery and equipment when it becomes available for use.

Depreciation

Depreciation commences when the asset is in the condition and location necessary for it to operate in the manner intended by management. Depreciation for the Moss Mine property, plant and equipment is capitalized to mining interests or construction in progress. Property and equipment at head office is depreciated and expensed over the period in which the assets are expected to be available for use. The Company uses the following depreciation rates, at both locations, if applicable:

Major class of asset	Depreciation rate
Building	5 years
Office, furniture and leasehold	3-5 years
Machinery and plant equipment	3-5 years
Vehicles	5 years

Asset useful life and residual values are reviewed on an annual basis and adjusted, if required, on a prospective basis.

Intangible assets

Intangible assets consist of computer software and costs of computer software customization and implementation and are stated at cost less accumulated amortization and impairment, if applicable. Amortization is recorded on a straight-line basis over 3 years.

3 Significant accounting policies (continued)

Borrowing costs

Borrowing costs incurred that are attributable to acquiring and developing exploration and development stage mining properties and constructing new facilities (qualifying assets) are capitalized and included in the carrying amounts of qualifying assets until those qualifying assets are ready for their intended use, which in the case of mining properties, is when the mining property reaches commercial production. Capitalization commences on the date that expenditures for the qualifying asset are being incurred, borrowing costs are being incurred by the Company and activities that are necessary to prepare the qualifying asset for its intended use are being undertaken. All other borrowing costs are expensed in the period in which they are incurred.

Provision for reclamation and remediation

The Company's activities are subject to laws and regulations relating to the protection of the environment in jurisdictions in which exploration, development and mining activities take place. To comply with such laws and regulations, the Company may be required to make expenditures for reclamation and remediation. In certain cases, the Company could also have a constructive obligation to make such expenditures, where a legal obligation did not otherwise exist. The Company recognizes a provision for reclamation and remediation when: the Company has a present legal or constructive obligation as a result of past events, such as an environmental disturbance; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are measured at the net present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Accretion expense, representing the increase in the provision due to the passage of time, is capitalized to mining interests.

Reclamation and remediation provisions include estimates for the costs of restoration activities required under applicable environmental regulations, such as dismantling and demolition of infrastructure, site and land rehabilitation, and security and monitoring. The extent of reclamation and remediation work required is primarily dependent on the prescribed requirements of the applicable environmental authority in the jurisdiction in which the Company's activities take place. Upon initial recognition of the liability, the net present value of the obligation is capitalized as part of the cost of mining interests. Restoration activities will occur primarily upon closure of a mine, but can occur from time to time throughout the life of the mine. As restoration projects are undertaken, their costs are charged against the provision as the costs are incurred.

Reclamation and remediation provisions are reviewed at least quarterly and take into account the effects of inflation and changes in estimates, with any resulting adjustments to the net present value of the provision correspondingly capitalized to mining interests.

Proceeds Recognition

Proceeds from gold and silver sales are recognized at market prices when the following conditions have been satisfied:

- the significant risks and rewards of ownership have been transferred to the buyer;
- that economic benefits associated with the transaction will flow to the Company;
- the sales price can be measured reliably;
- the Company has no significant continuing involvement; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

While the Company is in the exploration and evaluation phase, proceeds, net of royalties and selling costs, are being recorded as cost recoveries against associated exploration and evaluation assets.

3 Significant accounting policies (continued)

Impairment

Financial assets

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Non-financial assets

The carrying amounts of mining interests are assessed for impairment only when indicators of impairment exist, typically when one of the following circumstances applies:

- exploration rights have expired or will expire in the near future;
- no future substantive exploration expenditures are budgeted;
- commercially viable quantities of mineral resources have not been discovered and mining interests activities will be discontinued; and
- capitalized expenditures are unlikely to be fully recovered from successful development or sale.

If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (the "cash-generating unit", or "CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statements of operations and loss. Impairment losses recognized in respect of CGUs are allocated to the assets in the unit (group of units) on a pro-rata basis.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Share capital

Common shares are classified as equity. The Company records proceeds from share issuances net of share issuance costs. Share capital issued for non-monetary consideration is recorded at the fair market value of the shares on the date the shares are issued.

3 Significant accounting policies (continued)

Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the profit or (loss) attributable to the common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated based on the weighted average number of common shares outstanding during the year, plus the effects of dilutive common share equivalents. This calculation requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. The treasury stock method assumes that all common share equivalents have been exercised at the beginning of the year (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the year.

The calculation of diluted loss per share excludes the effects of various conversions and exercises of options and warrants that would be anti-dilutive.

Warrants

Warrants are classified as equity as they are derivatives of the Company's own equity that will be settled only by the Company exchanging a fixed amount of cash for a fixed number of the Company's own equity instruments.

When shares and warrants are issued at the same time, the proceeds are allocated first to warrants issued, according to their fair value using the Black-Scholes pricing model, with the residual value being allocated to shares.

Share-based payments

The grant date fair value of share-based payment awards granted to employees, consultants, directors and officers is recognized as an expense, with a corresponding increase in contributed surplus, over the period during which the recipient unconditionally becomes entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Financial instruments

The Company classifies financial instruments as either fair value through profit or (loss), loans and receivables, held-to-maturity, available-for-sale, or other financial liabilities. Loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method. Instruments classified as fair value through profit or (loss) are measured at fair value with unrealized gains and losses recognized in the consolidated statements of operations and loss. All financial assets except those measured at fair value through profit or (loss) are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

3 Significant accounting policies (continued)

Specific accounting policies and classifications for each of the Company's financial instruments are described below:

i) Fair value through profit or (loss)

Financial assets and liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as fair value through profit or (loss). Any financial instrument can be designated as fair value through profit or (loss) as long as its fair value can be reliably measured. These instruments are measured at fair value with subsequent changes in fair value included in profit or (loss).

The Company has classified cash as fair value through profit or (loss), which accordingly are carried at their fair values.

ii) Held-to-maturity

Financial assets that have a fixed maturity date and fixed or determinable payments, where the Company intends and has the ability to hold the financial asset to maturity are classified as held-to-maturity and measured at amortized cost using the effective interest rate method. Any gains and losses arising from the sale of held-to-maturity financial assets and any transaction costs incurred to acquire held-to-maturity financial assets are included in profit or (loss). Currently, the Company has no held-to-maturity financial assets.

iii) Loans and receivables

Items classified as loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables and any transaction costs incurred to acquire loans and receivables are included in profit or (loss). The Company classifies trade and other receivables and reclamation deposits as loans and receivables.

iv) Available-for-sale

Available-for-sale assets are those financial assets that are not classified as fair value through profit or (loss), held-to-maturity or loans or receivables, and are carried at fair value. Any unrealized gains or losses arising from the change in fair value are recorded within comprehensive income (loss). Available-for-sale assets are written down to fair value through profit or (loss) whenever it is necessary to reflect other than temporary impairment. Cumulative gains and losses arising upon the sale of the asset are included in profit or (loss). Any transaction costs incurred to acquire available-for-sale financial assets will be included in profit or (loss). Currently, the Company has no available-for-sale financial assets.

v) Other financial liabilities

Other financial liabilities are non-derivative financial liabilities that are not classified as fair value through profit or (loss). Other financial liabilities are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method. The Company classifies trade and other payables and long-term accrued payables as other financial liabilities.

3 Significant accounting policies (continued)

Income taxes

Income tax expense comprises current and deferred tax. Income tax expense, if applicable, is recognized in the consolidated statements of operations and loss.

Current tax

Current tax expense is based on the results for the year as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period, adjusted for amendments if any, to tax payable from previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established, where appropriate, on the basis of amounts expected to be paid to tax authorities.

Deferred tax

Deferred tax is recorded using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable loss, or on differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statements of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

New and amended accounting standards

There have been no changes to IFRS and IFRIC effective July 1, 2015 that impact the Company's financial statements.

Future accounting policy changes issued but not yet in effect

Pronouncements that are not applicable or that do not have a significant impact to the Company have not been included in these consolidated financial statements. The following standards are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company is currently evaluating the impact of these standards on its consolidated financial statements.

In January 2016, the IASB issued IFRS 16, Leases, which replaces IAS 17, Leases, and other lease related interpretations. The new standard established the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a lease contract. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted only in conjunction with IFRS 15.

3 Significant accounting policies (continued)

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments, that replaces IAS 39 Financial Instruments - Recognition and Measurement, in its entirety and reduce the complexity in the classification and measurement of financial instruments. The completed version of IFRS 9 includes classification and measurement, impairment and hedge accounting requirements and is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

In May 2014, the IASB issued IFRS 15, Revenue from Contracts and Customers, that will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations. IFRS 15 establishes a single five-step model to be applied for all contracts with customers. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. In April 2016, amendments to IFRS 15 were issued to clarify three aspects of the standard – identifying performance obligations, principal versus agent considerations, and licensing.

4 Significant accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying note disclosures. Judgments, estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. By their nature, these judgments, estimates and assumptions are subject to uncertainty and the effect on the consolidated financial statements of future periods for changes in such factors could be significant. Actual results may differ from these judgments, estimates and assumptions.

Significant estimates and judgments used in the preparation of the consolidated financial statements include, but are not limited to:

- asset carrying values and impairment charges;
- the economic recoverability of exploration expenditures incurred and the probability of future economic benefits from the expenditures;
- the expected costs of reclamation and remediation;
- the calculation of share-based compensation, which includes the assumptions used in the Black-Scholes option pricing model such as volatility, estimated forfeiture rates and expected time until exercise;
- useful life of property, plant and equipment;
- deferred cash payments;
- those relating to the assessment of the Company's ability to continue as a going concern;
- the determination of functional currency, as the Canadian dollar for the parent company and the US dollar for the wholly owned subsidiaries; and
- the determination that the test-mining, heap leach processing and gold and silver recovery methods employed during Phase I – Pilot Plant Operations represents a continuation of the Company's mining interests activities.

The key sources of estimation uncertainty that have a significant risk of causing material adjustments to the amounts recognized in the consolidated financial statements are as follows:

4 Significant accounting estimates and judgments (continued)

i) Mining interests

The Company makes certain estimates and assumptions regarding the recoverability of the carrying values of mining interests. The amounts shown for mining interests do not necessarily represent present or future values. The recoverability of the assets' carrying values is dependent upon the determination of economically recoverable reserves, the ability of the Company to obtain the necessary financing and permits to complete development and future profitable production or proceeds from the disposition thereof.

The Company has taken steps to verify title to mining interests in which it has or is in the process of earning an interest, including review of condition of title reports, vesting deeds, mining claim location notices and filings, and property tax and other public records and is not presently aware of any title defects. The procedures the Company has undertaken and may undertake in the future to verify title provide no assurance that the underlying properties are not subject to prior agreements or transfers of which the Company is unaware.

i) Share-based payments

The Company has an incentive stock option plan for employees, consultants, directors and officers. Services received and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The Company also issues share purchase warrants in connection with certain equity financings. The fair value of share options and share purchase warrants is estimated by using the Black-Scholes valuation model on the date of stock option grant or date of warrant issuance based on certain assumptions. Those assumptions are described in Notes 13(c) and 13(d) and include, among others, expected volatility, expected life and number expected to vest.

ii) Provision for reclamation and remediation

The amounts recorded for reclamation and remediation provisions are based on a number of factors, including technical reports prepared by third-party specialists for anticipated remediation activities and costs, the expected timing of cash flows, anticipated inflation rates and pre-tax risk-free interest rates on which the estimated cash flows have been discounted. Actual results could differ from these estimates. The estimates require considerable judgment about the nature, cost and timing of the work to be completed and may change with future changes to costs, environmental laws and regulations and remediation practices.

iii) Useful life of property, plant and equipment

The useful life of property, plant and equipment and intangible assets is based on management estimates at the time of acquisition with information obtained from vendors and engineer guidance, where required. Management estimates may change due to technological developments, market conditions, expectation for replacement of assets and other factors. The Company depreciates assets on a straight-line basis, over the useful life of the asset to the extent that the useful life does not exceed the estimated life of the mine. Estimates of residual values, useful lives and depreciation methods are reviewed periodically by management. Any changes that arise from periodic reviews are accounted for and adjusted prospectively.

iv) Receipt of deferred cash payments

The potential proceeds to be received based on exploration expenditures incurred at the Lemhi Gold Property, which are indeterminable.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

5 Trade and other receivables

		June 30, 2016		June 30, 2015
Trade accounts receivable	$	**13,585**	$	22,029
Value-added taxes receivable		**11,942**		7,507
	$	**25,527**	$	29,536

The Company expects full recovery of trade accounts receivables and value-added taxes receivable, and consequently has not recorded any allowance against these receivables. The Company did not hold any collateral for amounts due. Credit risk is further discussed in Note 19(a).

6 Reclamation deposits

Reclamation deposits consist of cash deposited with the United States Department of the Interior, Bureau of Land Management (the "BLM") for estimated site restoration costs related to exploration work on the Moss Mine. Deposits are refundable upon completion of reclamation work and verification of the reclamation work by the BLM.

7 Property, plant and equipment

Property, plant and equipment changes for the years ended June 30, 2016 and 2015 were as follows:

	Buildings	Vehicles	Machinery and plant equipment	Office, furniture and leasehold	Construction in progress	Total
Net book value at June 30, 2015	$ 59,429	$ 93,714	$ 821,754	$ 72,935	$ -	$ 1,047,832
Additions	-	-	26,884	-	694,197	**721,081**
Disposal & write-down	-	-	-	(12,482)	-	**(12,482)**
Depreciation	(19,540)	(35,192)	(310,861)	(21,280)	-	**(386,873)**
Foreign exchange movement	2,032	3,203	28,094	1,027	-	**34,356**
Net book value at June 30, 2016	$ 41,921	$ 61,725	$ 565,871	$ 40,200	$ 694,197	$ 1,403,914
Consisting of:						
Cost	97,429	175,832	1,497,242	126,715	694,197	**2,591,415**
Accumulated depreciation	(55,508)	(114,107)	(931,371)	(86,515)	-	**(1,187,501)**
	$ 41,921	$ 61,725	$ 565,871	$ 40,200	$ 694,197	$ 1,403,914

Net book value at June 30, 2014	$ 66,910	$ 109,128	$ 958,544	$ 97,769	$ -	$ 1,232,351
Additions	-	-	(587)	-	-	**(587)**
Depreciation	(18,894)	(34,028)	(299,703)	(31,354)	-	**(383,979)**
Foreign exchange movement	11,413	18,614	163,500	6,520	-	**200,047**
Net book value at June 30, 2015	$ 59,429	$ 93,714	$ 821,754	$ 72,935	$ -	$ 1,047,832
Consisting of:						
Cost	94,208	170,020	1,421,752	137,118	-	**1,823,098**
Accumulated depreciation	(34,779)	(76,306)	(599,998)	(64,183)	-	**(775,266)**
	$ 59,429	$ 93,714	$ 821,754	$ 72,935	$ -	$ 1,047,832

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

8 Investment in joint venture

On February 12, 2013, the Company completed the sale of its 51% interest in the Lemhi Gold Trust, LLC ("Lemhi JV LLC") to Idaho State Gold Company, LLC ("ISGC," a private Idaho investment company). Pursuant to the sale, deferred cash payments, equal to 3% of all future expenditures at the Lemhi Gold by the purchaser, are payable to the Company in quarterly instalments and capped at US$2,903,000.

During the year ended June 30, 2016, the Company recorded $nil (2015: $11,393) as part of the deferred sales proceeds from ISGC. Due to the uncertainty regarding the collectability of the deferred cash payments, payments will be recorded as income when received.

9 Mining interests

Changes in mining interests for the years ended June 30, 2016 and 2015 were as follows:

	Development	Exploration		
	Moss Mine Property	Moss Mine Property	Silver Creek Property	Total
Net book value at June 30, 2015	**$ -**	**$ 22,254,636**	**$ 113,543**	**$ 22,368,179**
Additions (net of recoveries)	-	2,454,631	86,991	**2,541,622**
Foreign exchange movement	-	760,827	3,882	**764,709**
Reclassification	25,470,094	(25,470,094)	-	**-**
Net book value at June 30, 2016	**$ 25,470,094**	**$ -**	**$ 204,416**	**$ 25,674,510**
Net book value at June 30, 2014	**$ -**	**$ 16,618,124**	**$ 37,517**	**$ 16,655,641**
Additions (net of recoveries)	-	2,708,016	70,347	**2,778,363**
Foreign exchange movement	-	2,928,496	5,679	**2,934,175**
Net book value at June 30, 2015	**$ -**	**$ 22,254,636**	**$ 113,543**	**$ 22,368,179**

Moss Mine Property – Mohave County, Arizona

The Company owns 100% of the Moss Mine project.

On March 7, 2011, the Company entered into an agreement ("2011 Agreement") with Patriot Gold Corp. ("Patriot Gold") whereby the Company was granted the right to earn a 70% interest in the Moss Mine project. To fulfill the terms of the 2011 Agreement and thereby earn its interest the Company paid Patriot Gold US$500,000 upon execution of the agreement and agreed to spend an aggregate total of US$8,000,000 over five years as well as complete a bankable feasibility study ("BFS"). On June 8, 2015, the Company announced the results of the feasibility study that served as the BFS required for the 2011 Agreement and as of June 30, 2015, the Company had spent in excess of US$8,000,000 thereby satisfying the "earn-in" obligation. The BFS was delivered and received by Patriot Gold on July 20, 2015 which was the formal "earn-in" date which the Company had earned a 70% interest in the Moss Mine project.

The Company and Patriot Gold were engaged in an arbitration process under the 2011 Agreement in which Patriot Gold alleged it was entitled to "operating profits" from the pilot plant operations and a feasibility study was required to analyze a property-wide mine. The Company disagreed with both allegations and denied there were operating profits from pilot plant operations. Legal proceedings were completed in early December 2015 and on January 22, 2016, the Company announced that it had received the arbitrator's award arising out of the December 2015 arbitration with the Company prevailing on both the disputed matters.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

9 Mining interests (continued)

On May 26, 2016, the Company completed an agreement with Patriot Gold, whereby the Company purchased Patriot Gold's remaining 30% interest in the Moss Gold/Silver Mine for $1,200,000 cash and 857,140 common shares plus the retention by Patriot Gold of a 3% net smelter returns ("NSR") royalty. The common shares were issued with a fair value of $342,856.

In addition, the Company has royalty agreements with various parties whereby the Company pays NSR royalties ranging from 1% to 3.5% on certain patented and unpatented claims.

On commercial production, a fee of up to US$15 per troy ounce of gold produced and up to US$0.35 per troy ounce of silver produced is payable to this non-related party. The fee can be purchased by the Company for US$2,400,000. For the year ended June 30, 2016, the Company recorded $nil (2015: $147,609) in the consolidated statements of (loss) income for finder's fees.

Exploration and evaluation costs at the Moss Mine Property consisted of the following:

		June 30, 2016		June 30, 2015
Assays, surveys and analysis	**$**	**830,866**	$	809,562
Depreciation and accretion		**1,007,638**		802,846
Drafting		**51,823**		50,110
Engineering and technical services		**17,261,753**		16,266,600
Exploration drilling, blasting and hauling		**5,094,091**		4,925,695
Feasibility studies		**1,356,077**		1,267,356
Field expenses		**594,520**		565,957
Geographic information services		**326,963**		327,306
Geotechnical		**117,772**		113,878
Maintenance		**566,972**		488,943
Office and administration costs		**1,100,740**		886,553
Process inventory		**447,434**		425,255
Property acquisition costs		**2,135,197**		624,500
Prospecting		**34,832**		35,209
Provision for reclamation and remediation		**990,780**		905,305
Scoping studies		**227,718**		220,190
Surveying		**69,014**		60,525
Technical reports		**101,221**		97,875
Total Moss Mine Property exploration and evaluation expenditures		**32,315,411**		28,873,665
Proceeds from gold and silver sales[1]		**(6,845,317)**		(6,619,029)
Reclassification		**(25,470,094)**		-
	$	**-**	$	22,254,636

[1] Net of royalties and selling costs that totalled $nil (2015: $253,960). Total royalties and selling costs incurred were $262,643.

During the year the Company assessed exploration and evaluation assets relating to the Moss Mine Property against the criteria established to determine if technical feasibility and commercial viability of the mineral resource had been demonstrated. The Company concluded technical feasibility and commercial viability had been demonstrated for the Moss Mine Property and, accordingly, exploration and evaluation assets related to the Moss Mine Property have been reclassified to development mining interests.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

9 Mining interests (continued)

Silver Creek Property – Mohave County, Arizona

On May 7, 2014, the Company secured an option on the Silver Creek property, located adjacent to the Moss Mine with La Cuesta International, Inc. ("LCI"). To fulfill the terms of the 35 year mineral lease and option agreement, the Company paid LCI US$5,000 and issued 100,000 common shares of the Company upon execution of the agreement, and must also meet the following commitments:

i. Pay LCI US$10,000 cash (paid) and fund a minimum of US$15,000 (paid) on work commitments by May 7, 2015;
ii. Pay LCI US$20,000 cash (paid) and fund a minimum of US$20,000 (paid) on work commitments by May 7, 2016;
iii. Pay LCI US$30,000 cash and fund a minimum of US$200,000 on work commitments by May 7, 2017;
iv. Pay LCI US$45,000 cash by May 7, 2018; and
v. Pay LCI US$25,000 cash every six months, thereafter.

The agreement provides for a production royalty of 1.5% NSR on claims owned 100% by LCI and 0.5% NSR on third party claims within the claim block. To acquire the claims, the Company is required to make payments to LCI totalling US$4,000,000 in any combination of aggregate royalty payments and lump-sum payments at its sole discretion. All payments other than the work commitments are credited against the royalty. Once US$4,000,000 has been paid, the NSR rates, on claims not otherwise acquired, reduce by 50%.

Silver Creek Property – Mohave County, Arizona

	June 30, 2016	June 30, 2015
Assays, surveys and analysis	**$ 15,092**	$ 8,386
Engineering and technical services	**2,945**	1,424
Field expenses	**887**	475
Geographic information services	**16,663**	4,788
Geological mapping and database consulting	**1,869**	1,807
Maintenance	**73,278**	35,428
Property acquisition costs	**83,423**	55,685
Prospecting	**10,259**	5,550
	$ 204,416	$ 113,543

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

10 Intangible assets

Changes in computer software for the years ended June 30, 2016 and 2015 were as follows:

		June 30, 2016		June 30, 2015
Balance, beginning of year	**$**	**56,281**	$	111,472
Additions		**-**		2,425
Depreciation		**(56,846)**		(62,451)
Foreign exchange movement		**565**		4,835
Balance, end of year	**$**	**-**	$	56,281
Consisting of:				
Cost		**181,221**		179,513
Accumulated depreciation		**(181,221)**		(123,232)
	$	**-**	$	56,281

11 Trade and other payables

		June 30, 2016		June 30, 2015
Trade accounts payable	**$**	**367,800**	$	279,091
Accrued liabilities		**326,459**		141,886
	$	**694,259**	$	420,977

12 Provision for reclamation and remediation

		June 30, 2016		June 30, 2015
Balance, beginning of year	**$**	**934,120**	$	782,761
Recognition of remaining provision		**72,353**		1,987
Accretion		**16,722**		15,855
Foreign exchange movement		**31,935**		133,517
Balance, end of year	**$**	**1,055,130**	$	934,120

The Company's provision for reclamation and remediation relates to the environmental restoration and closure costs associated with the Moss Mine. The provision has been recorded at its net present value using a discount rate of 1.01% and a long-term inflation rate of 2%, with expenditures anticipated over a ten-year period beginning in 2020. The provision is re-measured at each reporting date, with accretion being charged to the associated property asset. The total undiscounted amount of the Company's estimated obligation at the Moss Mine is US$855,349. All assumptions used in the calculation of the reclamation and remediation provision are subject to change.

13 Share capital and contributed surplus

a) Share Capital

Authorized capital consists of an unlimited number of common shares without par value. At June 30, 2016, there were 95,288,461 (2015: 72,941,446) common shares issued and fully paid.

Private placements completed during the years ended June 30, 2016 and 2015 were as follows:

- On April 4, 2016, the Company closed the final tranche of a non-brokered private placement, issuing a further 500,000 units to the 7,974,875 units already issued in the first tranche, bringing the aggregate total units issued to 8,474,875 at a price of $0.32 per unit for total gross proceeds of $2,711,960. Each unit consists of one common share of the Company and one transferable share purchase warrant, with each whole warrant entitling the holder to acquire one common share at an exercise price of $0.50. The two tranches of warrants expire on March 31, 2019 and April 4, 2019, respectively. The Company paid total cash finders' fees of $121,512 and total share issuance costs of $19,484 to arm's length parties in relation to the private placement.

- On July 9, 2015, the Company closed its non-brokered private placement and raised aggregate gross proceeds of $2,863,300 by issuing an aggregate total of 13,015,000 units at a purchase price of $0.22 per unit. Each unit consists of one common share of the Company and one transferable share purchase warrant. Each whole Warrant will entitle the holder to acquire one Common Share at an exercise price of $0.45 until July 8, 2017. Cash finders' fees of $115,482 and share issuance costs of $24,869 were paid to arm's length parties in relation to the private placement.

- During the year ended June 30, 2015, the Company completed a non-brokered private placement for total gross proceeds of $3,760,525 by issuing an aggregate total of 15,042,098 units at a purchase price of $0.25 per unit. Each unit consists of one common share of the Company and one-half transferable share purchase warrant. Each whole warrant entitles the holder to acquire one common share at an exercise price of $0.50 for a period of 24 months. The private placement was completed in two tranches with the first tranche of warrants expiring on July 3, 2016 and the second tranche expiring July 11, 2016. The expiration date of both tranches of warrants were extended by 12 months (Note 13d). The Company paid total cash finders' fees of $216,475 and share issuance costs of $35,634.

b) Stock Options

The Company has adopted an incentive stock option plan under the rules of the TSX Venture Exchange ("TSXV") pursuant to which it is authorized to grant options to employees, consultants, directors and officers, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option is equal to the market price of the Company's shares on the date of grant. The options can be granted for a maximum term of 10 years and generally vest 25% in specified increments. No individual may be granted options exceeding 5% of the Company's common shares outstanding in any 12-month period.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

13 Share capital and contributed surplus (continued)

Continuity of the Company's stock options issued and outstanding was as follows:

			June 30, 2016			June 30, 2015
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Outstanding, beginning of year	7,145,000	$	0.80	4,895,000	$	1.06
Granted	-		-	2,350,000		0.25
Forfeited /cancelled	(141,666)		1.06	(100,000)		0.65
Expired	(910,000)		0.58	-		-
Outstanding, end of year	**6,093,334**	**$**	**0.83**	**7,145,000**	**$**	**0.80**

As at June 30, 2016, the following stock options were outstanding and exercisable:

Exercise price	Number of options outstanding	Expiry date	Number of options exercisable	Remaining contractual life (years)
$ 1.30	200,000	December 12, 2016	200,000	0.45
1.40	2,200,000	November 11, 2017	2,200,000	1.37
1.40	200,000	January 21, 2018	200,000	1.56
0.85	200,000	June 6, 2018	200,000	1.93
0.65	1,035,000	September 25, 2018	1,035,000	2.24
0.30	100,000	July 28, 2019	100,000	3.08
0.25	2,083,334	February 24, 2020	1,400,000	3.65
0.25	75,000	March 31, 2020	50,000	3.75
	6,093,334		**5,385,000**	**2.35**

The weighted-average remaining contractual life of options outstanding at June 30, 2015 was 3.05 years.

c) Share-based payment expense

Share-based payment expense is measured at fair value and recognized over the vesting period from the date of grant. No stock options were issued for the year ended June 30, 2016. The weighted-average grant-date fair value of stock options issued during the year ended June 30, 2015 was $0.10.

The fair value of stock options granted was estimated using the Black-Scholes option pricing model with the following assumptions:

	June 30, 2016	June 30, 2015
Risk–free interest rate	**nil**	0.74%-1.48%
Expected life of options	**nil**	5 years
Dividend rate	**nil**	0.00%
Expected forfeiture rate	**nil**	0.00%
Expected volatility	**nil**	105.94-115.81%

During the year ended June 30, 2016, $115,381 of share-based payments was recorded for the vested options granted in the prior years.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

13 Share capital and contributed surplus (continued)

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. The Company has used historical volatility in its share price to estimate expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimated.

d) Warrants

Share purchase warrants enable the holders to acquire common shares of the Company upon exercise. Continuity of warrants issued and outstanding for the years ended June 30, 2016 and 2015 were as follows:

			June 30, 2016			June 30, 2015
	Number of warrants		Weighted average exercise price	Number of warrants		Weighted average exercise price
Outstanding, beginning of year	20,937,223	$	1.10	13,416,174	$	1.44
Issued	21,489,875		0.47	7,521,049		0.50
Expired	(3,939,500)		0.98	-		-
Outstanding, end of year	**38,487,598**	**$**	**0.76**	**20,937,223**	**$**	**1.10**

As at June 30, 2016, the Company had outstanding share purchase warrants as follows:

Number of warrants	Exercise price	Expiry date
5,817,174	$ 1.55	November 23, 2016
3,659,500	1.75	November 26, 2016
5,521,049	0.50	July 3, 2017
13,015,000	0.45	July 8, 2017
2,000,000	0.50	July 11, 2017
7,974,875	0.50	March 31, 2019
500,000	0.50	April 4, 2019
38,487,598		

The fair value of warrants issued is estimated using the Black-Scholes option-pricing model and is included in contributed surplus until exercised, at which time the fair value is reclassified to share capital.

The weighted average remaining life of the outstanding warrants as at June 30, 2016 was 1.25 years (2015: 0.66 years).

On June 29, 2016, the Company amended the expiration date of an aggregate total of 7,521,049 warrants exercisable at $0.50 by a further 12 months. The expiration date of 5,521,049 warrants was extended from July 3, 2016 to July 3, 2017. The expiration date of 2,000,000 warrants was extended from July 11, 2016 to July 11, 2017. The terms of the warrants remain unchanged. As a result of this amendment, the Company reclassified $1,225,242 of the fair value of outstanding warrants from share capital to contributed surplus.

On November 20, 2015, the Company amended the expiration date of 5,817,174 share purchase warrants exercisable at $1.55 from November 23, 2015 to November 23, 2016. Additionally, 3,659,500 share purchase warrants exercisable at $1.75 and expiring November 26, 2015, were extended by an additional twelve months to November 26, 2016. In all other respects, the terms of these warrants remain unchanged. As a result of this amendment, the Company reclassified $57,200 of the fair value of outstanding warrants from share capital to contributed surplus.

13 Share capital and contributed surplus (continued)

On October 2, 2015, the Company amended the expiration date of 1,321,500 warrants exercisable at $1.15 from October 4, 2015 to April 4, 2016. In all other respects, the terms of these warrants remain unchanged. As a result of this amendment, the Company reclassified $2,682 of the fair value of outstanding warrants from share capital to contributed surplus. On April 4, 2016, these 1,321,500 warrants expired.

On March 18, 2015, the Company amended the expiration date of 2,618,000 share purchase warrants exercisable at $0.90 by twelve months from March 25, 2015 to March 25, 2016. In all respects, the terms of these warrants remain unchanged. As a result of this amendment, the Company reclassified $15,937 of the fair value of outstanding warrants from share capital to contributed surplus. On March 25, 2016, these 2,618,000 warrants expired.

On November 18, 2014, the Company amended the expiration of 5,817,174 share purchase warrants exercisable at $1.55 from November 23, 2014 to November 23, 2015. Additionally, 3,659,500 share purchase warrants exercisable at $1.75 and expiring November 26, 2014, were extended by an additional twelve months to November 26, 2015. In all other respects, the terms of these warrants remain unchanged. As a result of this amendment, the Company reclassified $33,280 of the fair value of outstanding warrants from share capital to contributed surplus.

On September 25, 2014, the Company amended the expiration date of 1,321,500 warrants exercisable at $1.15 from October 4, 2014 to October 4, 2015. In all other respects, the terms of these warrants remain unchanged. As a result of this amendment, the Company reclassified $33,679 of the fair value of outstanding warrants from share capital to contributed surplus.

The following assumptions were used for the Black–Scholes valuation of warrants issued and amended:

	June 30, 2016	June 30, 2015
Risk–free interest rate	**0.46%-0.73%**	0.49%-1.13%
Expected life of warrants	**0.51-3 years**	1.01-2 years
Dividend rate	**0.00%**	0.00%
Expected volatility	**113.94%-125.2%**	99.2%-134.5%
Fair value per warrant issued and/or amended	**$0.002-$0.194**	$0.003-$0.268

14 Foreign exchange gains and losses

These consolidated financial statements are presented in Canadian dollars which is the Company's presentation and functional currency, while the functional currency of the Company's subsidiaries is the US dollar. Foreign exchange gains and losses therefore arise from the translation of US dollar denominated transactions and balances relative to the Canadian dollar. The Company has accumulated significant loans receivable from its subsidiaries as it continues to fund exploration and development activities at the Moss Mine and fluctuations in the US dollar can lead to substantial unrealized foreign exchange gains or losses on the loans owing to the Canadian parent company.

Foreign exchange gains and losses relating to loans receivable from subsidiaries are recognized in the consolidated statements of (loss) income if repayment is either planned or likely in the foreseeable future; where repayment is neither planned nor likely in the foreseeable future such foreign exchange gains and losses are recognized in other comprehensive (loss) income. During the year the Company assessed the repayment of loans receivable from its subsidiaries as neither planned nor likely in the foreseeable future and, accordingly, has included all foreign exchange gains relating to the loans in other comprehensive loss. During the prior year the Company assessed the repayment of loans receivable from its subsidiaries as likely in the foreseeable future and, accordingly, included all foreign exchange gains relating to the loans in the statement of income.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

15 Income taxes

a) Income tax expense

The following table reconciles the expected income tax expense (recovery) at Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and loss for the years ended June 30, 2016 and 2015:

		June 30, 2016		June 30, 2015
Net income (loss) before taxes	**$**	**(3,749,192)**	$	3,815,454
Canadian statutory income tax rate		**26.00%**		26.00%
Expected income tax (recovery)	**$**	**(974,790)**	$	992,018
Non-deductible items		**367,984**		(2,161,818)
Change in estimates		**3,302,603**		(613,118)
Change in tax rates		**118,323**		175,587
Functional currency adjustments		**(284,967)**		(612,789)
Foreign tax rate difference		**(742,296)**		(585,961)
Change in unrecognized deferred tax asset		**(1,786,857)**		2,806,081
Total income taxes (recovery)	**$**	**-**	$	-

b) Deferred tax assets and liabilities

Temporary differences and tax losses arising in Canada and the United States have not been recognized as deferred tax assets due to the fact that management has determined it is not probable that sufficient future taxable profits will be earned in these jurisdictions to recover such assets. The unrecognized net deferred tax assets as at June 30, 2016 and 2015 are summarized as follows:

		June 30, 2016		June 30, 2015
Canada				
Non-capital loss carryforwards	**$**	**418,627**	$	214,904
Exploration and evaluation assets		**317,442**		347,931
Property, plant and equipment		**3,814**		(5,057)
Share issuance costs		**155,308**		201,201
		895,191		758,979
Deferred tax asset not recognized		**(895,191)**		(758,979)
Net deferred tax asset	**$**	**-**	$	-

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

15 Income taxes (continued)

		June 30, 2016		June 30, 2015
United States				
Net operating loss carryforwards	**$**	**6,209,212**	$	4,461,242
Financial instruments		**1,425,713**		3,792,650
Exploration and evaluation assets		**(2,484,887)**		(52,055)
Property, plant and equipment		**(78,953)**		(1,509,875)
		5,071,085		6,691,962
Deferred tax asset not recognized		**(5,071,085)**		(6,691,962)
Net deferred tax asset	**$**	**-**	$	-

Management assess these temporary differences regularly and adjusts the unrecognized deferred tax assets in the period when management determines it is probable that some portion of the assets will be realized.

The Company has non-capital loss carryforwards of approximately $1,610,104 (2015: $826,555), which may be carried forward to apply against future year income tax for Canadian tax purposes, subject to the final determination by taxation authorities.

2033	$	9,876
2036		890,381
2037		709,847
Total	$	1,610,104

The Company has net operating loss carryforwards of approximately $17,423,401 (2015: $12,039,475), which may be carried forward to apply against future year income tax for US tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

2032	$	383,969
2033		1,519,633
2034		5,959,248
2035		1,330,295
2036		3,226,663
2037		5,003,593
Total	$	17,423,401

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

16 Supplemental disclosure of non-cash activities

The following non-cash investing and financing activities occurred:

		June 30, 2016		June 30, 2015
Issuance of share capital for mining interests	**$**	**342,856**	$	-
Changes in trade and other payables included in mining interests		**114,680**		(19,650)
Depreciation and accretion included in mining interests		**182,191**		376,380

17 Related party transactions

Related party transactions were incurred in the normal course of business and measured at their fair value as determined by management. Amounts due to or from related parties are non-interest bearing, unsecured and due on demand.

Related party transactions are as follows:

	Notes		June 30, 2016		June 30, 2015
Consulting fees	(i)	**$**	**405,602**	$	207,238
Shared office expenses	(ii)		**29,660**		34,474

(i) Consulting fees charged by companies controlled by certain directors of the Company are included in professional fees, subcontractor expenses and mining interests expenditures.

(ii) Shared office expenses charged to and from a company with directors in common are included in marketing, rent, travel, and office and miscellaneous expenses.

Related party balances are as follows:

		June 30, 2016		June 30, 2015
Consulting fees payable	**$**	**5,000**	$	5,000
Shared office expenses payable (receivable)		**15,307**		(11,439)

Commitments with related parties

The Company has entered into a corporate services agreement with a related company for clerical, accounting, regulatory filing and geological services. The minimum monthly fee under the agreement is $5,000 and renews annually.

Key management personnel compensation

Key management personnel includes the Company's directors and key employees consisting of the Chairman of the Board, the President and Chief Executive Officer, and the Chief Financial Officer.

Compensation for the years ended June 30, 2016 and 2015 was as follows:

	Notes		June 30, 2016		June 30, 2015
Salaries and short-term benefits	(i)	**$**	**478,879**	$	422,537
Share-based payments			**70,185**		130,488

(i) Salaries and short-term benefits are included in salaries, wages, benefits and subcontractor expenses, management fees, and mining interests expenditures.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

18 Commitments

The Company has entered into contracts for leased premises, which expire at various dates through to July 2018. Lease payments recognized as an expense during the year ended June 30, 2016 totalled $44,961 (2015: $43,355). Total future minimum lease payments (net of sub-lease arrangement) under these contracts are as follows:

Within 1 year	$	53,134
2 to 3 years		49,846

19 Financial instruments and financial risk management

The carrying values of cash, trade and other receivables, and trade and other payables approximate their fair values due to the short-term nature of these instruments.

In evaluating fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and different valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value in the fair value hierarchy.

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Cash and trade and other receivables are valued using quoted market prices and have been included in Level 1 of the fair value hierarchy.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly. The Company has no financial instruments classified in Level 2.

Level 3 – Inputs that are not based on observable market data. The Company has no financial instruments classified in Level 3.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at June 30, 2016:

Financial Assets		**Level 1**		**Level 2**		**Level 3**		**Total**
Cash	$	1,297,416	$	-	$	-	$	1,297,416
Trade and other receivables		25,527		-		-		25,527

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout the consolidated financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

19 Financial instruments and financial risk management (continued)

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations. The Company has credit risk in respect of its cash, trade and other receivables, and reclamation deposits. The Company considers the risk of loss relating to cash and reclamation deposits to be low because these instruments are held only with a Canadian Schedule I financial institution, a US-chartered commercial bank and a US government agency. Trade and other receivables at June 30, 2016 related primarily to amounts due from related parties and value-added taxes are expected to be collectible in full due to the nature of the counterparties and previous history of collectability.

(b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

The Company manages its liquidity risk through the preparation of annual expenditure budgets, which are regularly monitored and updated as management considers necessary, and through the Company's capital management activities.

As at June 30, 2016, the Company's financial liabilities were comprised of trade and other payables of $694,259 (2015: $420,977), which have a maturity of less than one year.

(c) Market risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits while maximizing returns.

(i) Currency risk

Foreign currency exchange rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in foreign exchange rates. The Company is considered to be in the exploration and development stage and has not yet developed commercial mineral interests; the underlying market prices realized by the Company for mineral sales are impacted by changes in the exchange rate between the Canadian and the US dollar. The Company has not entered into any formal arrangements to hedge currency risk but does maintain cash balances within each currency. Canadian dollars are exchanged when needed to meet foreign denominated liabilities.

At June 30, 2016, $207,873 of the Company's cash were denominated in US dollars. A 10% variation in the US dollar exchange rate would result in an impact of approximately $26,851 on annual net loss.

19 Financial instruments and financial risk management (continued)

(ii) Commodity price risk

Commodity price risk is the risk that the current and future cash flows from the Company's financial instruments will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and US dollar, as outlined above. Management closely monitors trends in commodity prices of gold and other precious and base metals as part of its routine activities, as these trends could significantly impact future cash flows.

(iii) Interest rate risk

Interest rate risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate as a result of changes in market interest rates. Interest rate risk arises from the interest rate impact on cash, which are held at variable market rates. The Company closely monitors its exposure to interest rate risk and has not entered into any derivative contracts to manage this risk. At June 30, 2016, the weighted-average interest rate on cash was 0.89%. With other variables unchanged, a 1% increase in the annualized interest rate would reduce the annual net loss by $12,830.

20 Capital management

In assessing the capital structure of the Company, management includes in its assessment the components of shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company does not have any debt obligation other than unsecured trade accounts payable. Access to capital is available through debt financing and the issuance of the Company's common shares. There are no assurances that funds will be made available to the Company when required. The Company makes every effort to safeguard its capital and minimize the dilution to its shareholders. The property is in the development stage and the Company has recorded limited recoveries from gold and silver produced at the property to date. The Company's historical sources of capital have consisted of the sale of equity securities. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally, as needed.

The Company is not subject to any externally imposed capital requirements. Since there has been significant uncertainty in the capital markets along with depressed commodity prices, the Company continues to evaluate financing alternatives to advance the Moss Mine Project. The ability to raise additional funding for future activities may be impaired due to market or other risks, or such financing may not be available on favourable terms, due to conditions beyond the control of the Company.

The Company manages capital through its operating and financial budgeting and forecasting processes on a regular basis. The Company reviews its working capital and forecasts its future cash flows, based on actual and forecasted operating results and other investing and financing activities. This information along with possible alternatives are reviewed by management and the Board of Directors of the Company on a regular basis to ensure the best mix of capital resources meet the Company's needs. The Company makes strategic and financial adjustments according to market conditions in an effort to meet its objectives given the Company's operating and financial performance and the current outlook for the business and for the industry in general.

(All dollar amounts expressed in Canadian dollars, unless otherwise noted)

21 Segmented information

The Company has one reportable operating segment, being the acquisition, exploration and future development of mineral properties. Reporting by geographical area follows the same accounting policies as those used to prepare the consolidated financial statements. Non-current assets (other than financial instruments) by geographic location are as follows:

						June 30, 2016
		Canada		**USA**		**Total**
Property, plant and equipment	$	27,841	$	1,376,073	$	1,403,914
Reclamation deposits		-		14,842		14,842
Mining interests		-		25,674,510		25,674,510
Total	**$**	**27,841**	**$**	**27,065,425**	**$**	**27,093,266**

						June 30, 2015
		Canada		**USA**		**Total**
Property, plant and equipment	$	42,910	$	1,004,922	$	1,047,832
Reclamation deposits		-		13,752		13,752
Mining interests		-		22,368,179		22,368,179
Intangible assets		39,771		16,510		56,281
Total	**$**	**82,681**	**$**	**23,403,363**	**$**	**23,486,044**

22 Subsequent events

Subsequent to June 30, 2016:

- subject to the satisfaction of certain terms and conditions, the Company obtained credit approval from Macquarie Bank Limited to provide a project finance facility of up to US$20,000,000 to be used to fund projected development costs of the Moss Mine Project.

- the Company completed the initial tranche of a non-brokered private placement of unsecured convertible debentures, raising gross proceeds of $7,225,000. Each Debenture has an issue price of $100, matures on May 31, 2021, bears interest at 5% per annum, payable on May 31 and November 30 of each year while outstanding, which interest, subject to regulatory approval, may at the option of the Company be settled in common shares. The Debentures are convertible into common shares ("Conversion Shares") of the Company at the price of $0.50 per Conversion Share. The Debentures and, if issued within four months of the date of issue of the Debentures, the Conversion, will be subject to a four month hold period from the date of issuance of the Debentures in accordance with applicable securities laws. Aggregate finders' fees of $430,500 payable in cash and 516,600 finders' warrants were issued on this tranche to parties at arm's length. Each finders' warrant will entitle the holder to acquire one common share of the Company at an exercise price of $0.50 until July 14, 2019.

- the Company granted 2,645,000 stock options to employees, consultants, directors and officers at an exercise price of $0.46 with a five year expiry period.

- 33,334 stock options were exercised for proceeds of $8,333.

- the Company obtained TSX-V approval to extend the closing date of the Debenture private placement up to October 31, 2016.