NORTHERN VERTEX

MINING CORP

Consolidated Financial Statements

For the Years Ended June 30, 2017 and 2016

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 23, 2017

MNP LLP

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, 2017 and 2016, and the consolidated statements of loss and 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, 2017 and 2016, 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 23, 2017

Chartered Professional Accountants

NORTHERN VERTEX MINING CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 30, 2017 and June 30, 2016
Expressed in Canadian Dollars

	Notes		**June 30 2017**		June 30 2016
ASSETS					
Current assets					
Cash		**$**	**24,985,035**	$	1,297,416
Accounts receivable	5		**82,553**		25,527
Prepaid expenses and deposits			**183,236**		182,483
Total current assets			**25,250,824**		1,505,426
Non-current assets					
Restricted cash and non-current deposits			**1,161,837**		14,842
Property, plant and equipment	6		**17,067,579**		1,403,914
Mining interests	7		**28,365,380**		25,674,510
Deferred financing costs			**12,977**		35,659
Total assets		**$**	**71,858,597**	$	28,634,351
LIABILITIES					
Current liabilities					
Trade and other payables	8	**$**	**3,708,108**	$	694,259
Current portion of long term debt	9		**720,944**		-
Convertible debenture subscriptions received in advance			**-**		150,000
Total current liabilities			**4,429,052**		844,259
Non-current liabilities					
Long term debt	9		**15,586,925**		-
Gold call options	10		**543,560**		-
Provision for reclamation and remediation	11		**2,078,876**		1,055,130
Total liabilities			**22,638,413**		1,899,389
EQUITY					
Share capital	12		**40,571,513**		23,045,440
Subscriptions received in advance	22		**2,381,600**		-
Share option reserve	12		**5,812,653**		5,034,817
Warrant reserve	12		**20,103,160**		15,249,235
Equity component of convertible debentures	9		**1,479,734**		-
Accumulated other comprehensive loss			**(1,751,068)**		(1,708,364)
Deficit			**(19,377,408)**		(14,886,166)
Total equity			**49,220,184**		26,734,962
Total liabilities and equity		**$**	**71,858,597**	$	28,634,351

Nature of operations and going concern	1
Commitments	6,18
Subsequent events	22

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
Years ended June 30, 2017 and June 30, 2016
Expressed in Canadian Dollars

	Notes		**2017**		2016
Administrative expenses					
Depreciation		**$**	**13,698**	$	255,900
Management fees			**165,231**		120,000
Marketing			**664,834**		220,193
Office			**190,483**		218,174
Professional fees			**764,900**		1,465,551
Property taxes			**-**		23,821
Rent			**42,698**		44,961
Salaries, wages and severance			**1,015,377**		1,097,788
Share-based payments	12		**795,373**		115,381
Site security			**-**		66,779
Transfer agent and filing fees			**38,617**		41,975
Travel			**147,491**		89,105
Loss before other expenses			**(3,838,702)**		(3,759,628)
Other (expenses) income					
Foreign exchange (loss) gain			**(504,223)**		3,706
Finance (costs) income	13		**(668,294)**		12,930
Loss on disposal of fixed assets			**-**		(6,200)
Net loss before taxes			**(5,011,219)**		(3,749,192)
Deferred tax recovery			**519,977**		-
Net loss for the year			**(4,491,242)**		(3,749,192)
Foreign currency translation			**(42,704)**		703,064
Comprehensive loss for the year			**(4,533,946)**		(3,046,128)
Basic and diluted loss per share		**$**	**(0.04)**	$	(0.04)
Weighted average number of shares outstanding			**103,098,514**		87,901,166

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

NORTHERN VERTEX MINING CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Years ended June 30, 2017 and June 30, 2016
Expressed in Canadian Dollars

	Notes	Number of Shares	Share Capital	Subscriptions Received in Advance	Stock Option Reserve	Warrant Reserve	Equity Component of Convertible Debentures	Accumulated Other Comprehensive Income (Loss)	Deficit	Total Equity
Balance, June 30, 2015		**72,941,446**	**$ 21,484,748**	**$ 1,280,400**	**$ 4,919,436**	**$ 11,177,900**	**$ -**	**$ (2,411,428)**	**$ (11,136,974)**	**$ 25,314,082**
Shares issued for:										
Private placements	12	21,489,875	2,502,960	-	-	2,786,211	-	-	-	5,289,171
Mining interests	7	857,140	342,856	-	-	-	-	-	-	342,856
Subscriptions received in advance		-	-	(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		-	-	-	-	-	-	-	(3,749,192)	(3,749,192)
Balance, June 30, 2016		**95,288,461**	**$ 23,045,440**	**$ -**	**$ 5,034,817**	**$ 15,249,235**	**$ -**	**$ (1,708,364)**	**$ (14,886,166)**	**$ 26,734,962**
Shares issued for:										
Private placements	12	31,306,250	10,894,453	-	-	4,635,685	-	-	-	15,530,138
Convertible debt interest payment	9	710,360	317,382	-	-	-	-	-	-	317,382
Long term debt financing fees	9	1,498,202	629,245	-	-	-	-	-	-	629,245
Subscriptions received in advance	22	-	-	2,381,600	-	-	-	-	-	2,381,600
Convertible debentures issued	9	-	-	-	-	-	1,479,935	-	-	1,479,935
Conversion of convertible debentures		2,000	881	-	-	-	(201)	-	-	680
Exercise of stock options	12	183,334	63,371	-	(17,538)	-	-	-	-	45,833
Exercise of warrants	12	12,290,608	7,471,877	-	-	(1,796,111)	-	-	-	5,675,766
Warrants issued for:										
Warrant exercise incentive program		-	(1,851,136)	-	-	1,851,136	-	-	-	-
Convertible debt financing	9, 12	-	-	-	-	163,215	-	-	-	163,215
Share-based payments		-	-	-	795,374	-	-	-	-	795,374
Foreign currency translation		-	-	-	-	-	-	(42,704)	-	(42,704)
Net loss		-	-	-	-	-	-	-	(4,491,242)	(4,491,242)
Balance, June 30, 2017		**141,279,215**	**$ 40,571,513**	**$ 2,381,600**	**$ 5,812,653**	**$ 20,103,160**	**$ 1,479,734**	**$ (1,751,068)**	**$ (19,377,408)**	**$ 49,220,184**

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, 2017 and June 30, 2016
Expressed in Canadian Dollars

	Notes	2017	2016
Cash flows from operating activities			
Net loss income before taxes for the year		**$ (5,011,219)**	$ (3,749,192)
Items not affecting cash:			
Share-based payments	12	**795,373**	115,381
Depreciation		**13,698**	255,900
Loss on disposal of fixed assets		**-**	6,200
Fair value gain on gold call options	10	**(290,233)**	-
Interest expense	13	**1,039,063**	-
Unrealized foreign exchange loss		**484,930**	16,902
Changes in non-cash working capital balances:			
Trade and other receivables		**(58,363)**	3,940
Prepaid expenses and deposits		**34,087**	(108,326)
Trade and other payables		**(120,963)**	22,041
Cash used in operating activities		**(3,113,627)**	(3,437,154)
Cash flows from financing activities			
Proceeds of long term debt, net of issue costs		**19,268,060**	-
Issuance of share capital, net of issue costs		**21,187,868**	5,289,170
Subscriptions received in advance		**2,231,600**	(1,130,400)
Interest paid		**(518,305)**	-
Deferred financing costs		**(13,268)**	(35,659)
Cash provided by financing activities		**42,155,955**	4,123,111
Cash flows from investing activities			
Mining interest expenditures		**(1,308,069)**	(1,886,441)
Restricted cash and non-current deposits		**(1,164,862)**	(637)
Property, plant and equipment expenditures		**(12,296,747)**	(713,155)
Cash used in investing activities		**(14,769,678)**	(2,600,233)
Effect of foreign exchange on cash		**(585,031)**	2,349
Increase (decrease) in cash during the year		**23,687,619**	(1,911,927)
Cash, beginning of the year		**1,297,416**	3,209,343
Cash, end of the year		**$ 24,985,035**	$ 1,297,416

Supplemental disclosure of non-cash activities 15

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

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

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 Street, 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 equity financing.

During the year ended June 30, 2017, the Company raised gross proceeds of $28,980,438 from private placements and warrant exercises and closed a senior credit facility for $25,954,000 (US$20,000,000) of which $12,977,000 (US$10,000,000) has been received. To continue development at the Moss Mine the Company will require additional financing, of which, the Company closed private placements for $15,433,460, secured an equipment finance facility and closed another tranche from its senior credit facility subsequent to June 30, 2017 (Note 22). 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.

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.

As of June 30, 2017 and June 30, 2016 the Company had the following working capital and deficit balances:

		June 30, 2017		June 30, 2016
Working capital	**$**	**20,821,772**	$	661,167
Deficit	**$**	**(19,377,408)**	$	(14,886,166)

2 Statement of compliance

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 23, 2017.

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. ("GVC") and Golden Vertex (Idaho) Corp. ("GVIC"), both incorporated in the United States. GVIC is an inactive subsidiary with less than $10,000 in net assets. All inter-company balances, and 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.

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 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.

3 Significant accounting policies (continued)

Cash

Cash presented in assets on the consolidated statements of financial position and the consolidated statements of cash flows at June 30, 2017 and June 30, 2016 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 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;
- 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 do not qualify as development or producing mining interests until the above criteria are met.

3 Significant accounting policies (continued)

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 mine following commencement of production or impaired if the property is 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. 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.

Borrowing costs

Borrowing costs incurred that are attributable to acquiring and developing 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.

3 Significant accounting policies (continued)

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.

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 and mining 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.

3 Significant accounting policies (continued)

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.

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.

3 Significant accounting policies (continued)

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.

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.

3 Significant accounting policies (continued)

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 debt as other financial liabilities.

vi) Derivatives

Derivative instruments are recorded at fair value and reflected on the consolidated statement of financial position. The Company does not apply hedge accounting to derivative financial instruments and therefore any gains or losses resulting from the changes in the fair value of the derivative instrument are included in the consolidated statement of loss. The Company classifies gold call options as derivatives.

vii) Compound financial instruments

Convertible debentures are compound financial instruments, consisting of the debt instrument and the equity conversion feature. The debt instrument is fair valued using a rate applicable to a non-compound debt instrument at issuance and carried at amortized cost. The excess of the proceeds over the value assigned to the debt instrument is allocated as the fair value of the equity component of the convertible debentures. Transaction costs are netted against the debt instrument and equity component based on the pro-rata allocation of the fair value of each instrument at initial recognition.

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.

3 Significant accounting policies (continued)

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, 2016 that impact the Company's consolidated 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.

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 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;
- 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:

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.

ii) 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 12(c) and 12(d) and include, among others, expected volatility, expected life and number expected to vest.

4 Significant accounting estimates and judgments (continued)

iii) 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.

iv) 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.

v) Fair value of gold call options

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques determined by management. Management uses its judgment to select a method of valuation and make estimates of specific model inputs that are based on conditions, including market, existing at the end of each reporting period.

vi) Capitalization of borrowing costs

The capitalization of borrowing costs involves the determination of a capitalization rate, which is subject to judgment by management.

vii) Convertible debentures

Convertible debentures are compound financial instruments accounted for in two separate components, a debt instrument and equity instrument. The identification of the respective component is based on interpretations of the substance of the contractual arrangement and thus requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the debt component. The determination of the fair value of the debt component is based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments

viii) Deferred taxes

The Company recognizes the deferred tax benefit related to deferred tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant judgment of future taxable profit. Management is required to assess whether it is probable that the Company will benefit from its deferred tax assets. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred tax assets.

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

5 Trade and other receivables

		June 30, 2017		June 30, 2016
Accounts receivable	**$**	**64,636**	$	13,585
Value-added taxes receivable		**17,917**		11,942
	$	**82,553**	$	25,527

6 Property, plant and equipment

Property, plant and equipment for the years ended June 30, 2017 and 2016 were as follows:

	Buildings	Vehicles	Machinery and plant equipment	Office, furniture and leasehold	Construction in progress	Total
Net book value at June 30, 2016	**$ 41,921**	**$ 61,725**	**$ 565,871**	**$ 40,200**	**$ 694,197**	**$ 1,403,914**
Additions	-	-	-	16,931	16,239,231	**16,256,162**
Disposal & write-down	-	-	(33,568)	-	-	**(33,568)**
Depreciation	(19,976)	(35,976)	(281,906)	(21,585)	-	**(359,443)**
Foreign exchange movement	539	908	7,545	(192)	(208,286)	**(199,486)**
Net book value at June 30, 2017	**$ 22,484**	**$ 26,657**	**$ 257,942**	**$ 35,354**	**$ 16,725,142**	**$ 17,067,579**
Consisting of:						
Cost	97,881	176,649	1,349,555	143,881	16,725,142	**18,493,108**
Accumulated depreciation	(75,397)	(149,992)	(1,091,613)	(108,527)	-	**(1,425,529)**
	$ 22,484	**$ 26,657**	**$ 257,942**	**$ 35,354**	**$ 16,725,142**	**$ 17,067,579**

	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**

As at June 30, 2017, the Company had contractual commitments to acquire property, plant, and equipment for $14,227,207 (US$10,963,402) (June 30, 2016 – $Nil).

During the year ended June 30, 2017, the Company capitalized borrowing costs of $760,131 (June 30, 2016 – $Nil) related to the Moss Mine project into construction in progress at a capitalization rate of 14.86% (June 30, 2016 – Nil%).

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

7 Mining interests

Mining interests for the years ended June 30, 2017 and June 30, 2016 were as follows:

	Development	Exploration		
	Moss Mine Property	Moss Property	Silver Creek Property	Total
Net book value at June 30, 2016	**$ 25,470,094**	**$ -**	**$ 204,416**	**$ 25,674,510**
Additions	1,591,080	857,159	150,328	**2,598,567**
Foreign exchange movement	108,525	(15,917)	(305)	**92,303**
Net book value at June 30, 2017	**$ 27,169,699**	**$ 841,242**	**$ 354,439**	**$ 28,365,380**
Net book value at June 30, 2015	**$ -**	**$ 22,254,636**	**$ 113,543**	**$ 22,368,179**
Additions	-	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**

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 with Patriot Gold Corp. ("Patriot Gold") whereby the Company was granted the right to earn a 70% interest in the Moss Mine project under certain terms. Early in the year ended June 30, 2016, the Company satisfied the terms of the agreement and earned a 70% interest in the Moss Mine project.

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 a non-related party. The fee can be purchased by the Company for US$2,400,000. During the year ended June 30, 2017, the Company settled and paid a 3% finder's fee on exploration expenditures in the amount of $133,378 to non-related parties.

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.

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

7 Mining interests (continued)

On June 28, 2017, the Company entered into an amendment to the mineral lease and option agreement to defer the minimum work commitment of US$200,000 from May 7, 2017 to May 7, 2019. Upon the execution of the amendment, the Company must meet the following commitments:

i. Pay LCI US$10,000 cash (paid) and fund a minimum of US$15,000 (completed) on work commitments by May 7, 2015;
ii. Pay LCI US$20,000 cash (paid) and fund a minimum of US$20,000 (completed) on work commitments by May 7, 2016;
iii. Pay LCI US$30,000 cash (paid) by May 7, 2017 and US$20,000 cash (paid) by July 28, 2017;
iv. Pay LCI US$45,000 cash by May 7, 2018;
v. Pay LCI US$50,000 cash by May 7, 2019 and fund a minimum of US$200,000 on work commitments by May 7, 2019; and
vi. 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%.

8 Trade and other payables

		June 30, 2017		June 30, 2016
Trade accounts payable	**$**	**1,706,199**	$	367,800
Accrued liabilities		**2,001,909**		326,459
	$	**3,708,108**	$	694,259

9 Long term debt

	Note		**June 30, 2017**		June 30, 2016
Senior secured credit facility, net of issue costs	(i)	**$**	**11,270,247**	$	-
Convertible debentures	(ii)		**5,037,622**		-
		$	**16,307,869**	$	-
Current portion of long term debt			**(720,944)**		-
		$	**15,586,925**	$	-

(i) Senior secured credit facility:

The Company closed a senior secured credit facility ("the Facility") pursuant to which up to $25,954,000 (US$20,000,000) may be advanced to fund construction costs of the Moss Mine Project. The Facility is available to be drawn in up to four tranches, of which, two tranches totalling $12,977,000 (US$10,000,000) have been advanced to the Company. Subsequent to the year ended June 30, 2017, a third tranche of $6,488,500 (US$5,000,000) was advanced to the Company for a total of $19,465,500 (US$15,000,000). The remaining tranche of $6,488,500 (US$5,000,000) may be drawn subject to the satisfaction of certain conditions.

Interest is due monthly at an annual interest rate of 8% plus the greater of twelve month USD LIBOR or 1.25%. Commencement of principal payments is dependent on the number of tranches drawn. As the balance drawn does not exceed $19,465,500 (US$15,000,000), monthly principal payments will commence in June 2018. Final interest and principal payments are due when the Facility matures in November 2019.

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

9 Long term debt (continued)

The Facility is secured with a first charge over assets and shares of all subsidiaries. Fees of 3% of the principal amount outstanding are due on November 4 of each year and are payable in cash or shares at the option of the lender.

In connection with the closing of the Facility the Company paid fees of $402,090, issued 1,498,202 common shares with a fair value of $629,245 and issued call options (the "Gold Call Options") to purchase 6,000 ounces of gold at an exercise price of US$1,350 per ounce (Note 10).

(ii) Convertible debentures:

		June 30, 2017		June 30, 2016
Balance, beginning of year	**$**	**-**	$	-
Issued		**7,352,000**		-
Equity portion		**(1,999,912)**		-
Conversion		**(680)**		-
Financing costs		**(760,143)**		-
Interest accretion		**446,357**		-
Balance, end of year	**$**	**5,037,622**	$	-

On July 14, 2016 and November 2, 2016, the Company completed tranches of a private placement of $7,225,000 and $127,000, respectively, of unsecured convertible debentures for total proceeds of $7,352,000.

The convertible debentures mature on May 31, 2021 and bear interest at 5% per year with interest payable semi-annually on November 30 and May 31 with the first payment due on November 30, 2016. The convertible debentures are convertible into common shares at the option of the holder at any time prior to maturity at a conversion price of $0.50 per common share. The debentures may be redeemed in cash on or after July 14, 2018 upon redemption notice at a redemption price equal to their face value plus accrued interest provided the trading price of the common shares for 20 consecutive trading days, ending five trading days prior to the date of the redemption notice, must be less than the conversion price. The Company also has the option, to repay the face value of the debentures in common shares, provided certain circumstances are met including: no default has occurred and the trading price of the common shares for 20 consecutive trading days ending five trading days prior to the date of the redemption notice or maturity date is at least 150% of the conversion price. Interest may be payable in cash or common shares at the option of the Company.

During the fiscal year, the Company issued 710,360 common shares with a fair value of $325,752 in payment of interest expense and paid $2,489 in cash of interest expense.

10 Gold call options

		June 30, 2017		June 30, 2016
Balance, beginning of year	**$**	**-**	$	-
Gold Call Options issued		**841,105**		-
Gold Call Options revaluation		**(290,233)**		-
Foreign exchange movement		**(7,312)**		-
Balance, end of year	**$**	**543,560**	$	-

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

10 Gold call options (continued)

In connection with the senior secured credit facility (Note 9), the Company issued Gold Call Options to the lender to purchase 6,000 ounces of gold at an exercise price of US$1,350 per ounce. The Gold Call Options expire on November 4, 2021 and may be settled by a cash payment, or an increase in the principal amount of the Facility, based on the difference between the exercise price and the prevailing market price of gold at the time of settlement.

The fair value of the Gold Call Options was calculated when issued and are revalued each subsequent reporting period using the Black-Scholes option pricing model with the fair value gain or loss recorded in the consolidated statements of loss. The following assumptions were used when valuing the options:

	June 30, 2017	At Issue
Gold price (US$)	**$1,242**	$1,303
Volatility	**15.2%**	14.5%
Interest rate	**1.09%**	0.52%
Expected life of options (years)	**1.85**	2.5

11 Provision for reclamation and remediation

		June 30, 2017		June 30, 2016
Balance, beginning of year	**$**	**1,055,130**	$	934,120
Change in estimate		**995,946**		72,353
Accretion		**22,899**		16,722
Foreign exchange movement		**4,901**		31,935
Balance, end of year	**$**	**2,078,876**	$	1,055,130

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 2.14% and a long-term inflation rate of 2%, with expenditures anticipated over a ten-year period beginning in 2024. The provision is remeasured at each reporting date, with accretion being charged to the associated property asset. The total undiscounted amount of the Company's estimated obligation, based on land disturbances at the Moss Mine as of June 30, 2017, was $2,441,081. All assumptions used in the calculation of the reclamation and remediation provision are subject to change.

During the year ended June 30, 2017, an updated reclamation plan for the Moss Mine was completed due to the advancement of the Moss Mine project. Estimates for the cost of restoration activities were updated to reflect the disturbances which occurred during construction.

12 Share capital, option reserve and warrant reserve

a) Share Capital

Authorized share capital consists of an unlimited number of common shares without par value.

Private placements completed during the years ended June 30, 2017 and June 30, 2016 were as follows:

In June 2017, the Company completed the initial tranche of a US$20,000,000 non-brokered private placement for gross proceeds of $13,997,420 (US$10,786,330) by issuing a total of 27,920,000 units at a price of $0.52 per unit. Each unit consists of one common share of the Company and one half non-transferable share purchase warrant. Each warrant has a term of five years and entitles the holder to acquire one common share of the Company at an exercise price of $0.91 until July 18, 2019 and at a price of $1.04 from July 19, 2019 to June 9, 2022. The fair value of warrants issued was $4,284,034. The final tranche closed subsequent to June 30, 2017 (Note 22).

In December 2016, the Company completed a non-brokered private placement for gross proceeds of $1,354,500 by issuing an aggregate of 3,386,250 units at a purchase price of $0.40 per unit. Each unit consists of one common share of the Company and one half transferable share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.65 expiring on December 3, 2018. The fair value of warrants issued was $351,651. The Company paid total cash finders' fees of $61,600 and share issuance costs of $15,929.

During the year ended June 30, 2016, the Company completed two non-brokered private placements for total gross proceeds of $5,575,260 by issuing an aggregate total of 21,489,875 units. The first private placement raised gross proceeds of $2,863,300 by issuing a total of 13,015,000 units at a purchase price of $0.22 per unit. The second private placement raised gross proceeds of $2,711,960 by issuing a total of 8,474,875 units at a purchase price of $0.32 per unit. Each unit consisted 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 $0.45 and $0.50, respectively, for a period of 24 months from the closing date of each respective private placement. The fair value of warrants issued related to the private placements was $2,693,658. The Company paid total cash finders' fees of $236,994 and share issuance costs of $44,353.

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 with vesting terms determined by the Board of Directors. 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)

12 Share capital, option reserve and warrant reserve (continued)

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

			June 30, 2017			June 30, 2016
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Outstanding, beginning of year	6,093,334	$	0.83	7,145,000	$	0.80
Granted	2,895,000		0.46	-		-
Exercised	(183,334)		0.25	-		-
Forfeited /cancelled	(100,000)		0.46	(141,666)		1.06
Expired	(200,000)		1.30	(910,000)		0.58
Outstanding, end of year	**8,505,000**	**$**	**0.71**	**6,093,334**	**$**	**0.83**

As at June 30, 2017, the following stock options were outstanding and exercisable:

Exercise price	Number of options outstanding	Expiry date	Number of options exercisable	Remaining contractual life (years)
0.25	200,000	August 31, 2017	200,000	0.17
0.46	200,000	August 31, 2017	200,000	0.17
1.40	300,000	August 31, 2017	300,000	0.17
0.30	100,000	September 30, 2017	100,000	0.25
0.46	250,000	September 30, 2017	250,000	0.25
0.65	300,000	September 30, 2017	300,000	0.25
1.40	1,200,000	September 30, 2017	1,200,000	0.25
1.40	900,000	November 11, 2017	900,000	0.37
0.85	200,000	June 6, 2018	200,000	0.93
0.65	735,000	September 25, 2018	735,000	1.24
0.25	1,700,000	February 24, 2020	1,700,000	2.65
0.25	75,000	March 31, 2020	75,000	2.75
0.46	1,845,000	July 15, 2021	615,000	4.04
0.46	250,000	September 14, 2021	166,667	4.21
0.46	250,000	October 26, 2021	83,333	4.33
	8,505,000		**7,025,000**	**1.92**

The weighted-average remaining contractual life of options outstanding at June 30, 2016 was 2.35 years.

c) Share-based payments

Share-based payment expense is measured at fair value and recognized over the vesting period from the date of grant. Share-based payment expense recognized in the consolidated statements of loss for the year ended June 30, 2017 totalled $795,373 (2016: $115,381).

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

12 Share capital, option reserve and warrant reserve (continued)

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

	June 30, 2017	June 30, 2016
Risk–free interest rate	**0.58% - 0.73%**	Nil
Expected life of options	**1.1 – 5.0 years**	Nil
Dividend rate	**Nil**	Nil
Expected forfeiture rate	**0% - 5%**	Nil
Expected volatility	**110% - 117%**	Nil

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, 2017 and June 30, 2016 were as follows:

	June 30, 2017			**June 30, 2016**		
	Number of warrants		**Weighted average exercise price**	**Number of warrants**		**Weighted average exercise price**
Outstanding, beginning of year	38,487,598	$	0.76	20,937,223	$	1.10
Issued	21,526,529		0.90	21,489,875		0.47
Exercised	(12,290,608)		0.46	-		-
Expired	(9,476,674)		1.63	(3,939,500)		0.98
Outstanding, end of year	**38,246,845**	**$**	**0.72**	**38,487,598**	**$**	**0.76**

As at June 30, 2017, the Company had outstanding share purchase warrants as follows:

Number of warrants	**Exercise price**	**Expiry date**
2,412,441	$ 0.50	July 3, 2017
4,303,000	0.45	July 8, 2017
2,000,000	0.50	July 11, 2017
1,693,125	0.65	December 3, 2018
7,504,875	0.50	March 31, 2019
500,000	0.50	April 4, 2019
516,600	0.50	July 14, 2019
5,356,804	1.00	March 24, 2021
13,960,000	0.91	June 9, 2022
38,246,845	**$ 0.72**	

The fair value of warrants issued is estimated using the Black-Scholes option-pricing model and is included in warrant reserve 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, 2017 was 2.82 years (June 30, 2016: 1.25 years).

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

12 Share capital, option reserve and warrant reserve (continued)

In March 2017, the Company completed a warrant exercise incentive program (the "Program"), pursuant to which, the Company issued an aggregate of 5,356,804 common share purchase warrants to warrant holders who exercised their warrants under the Program. Each incentive warrant entitles the holder to purchase one additional common share at an exercise price of $1.00 until March 24, 2021. The incentive warrants were issued with a fair value of $1,851,136.

In July 2016, the Company issued 516,600 finders' warrants to parties at arm's length for a non-brokered private placement of unsecured convertible debentures. Each finders' warrant entitles the holder to acquire one common share of the Company at an exercise price of $0.50 until July 14, 2019. The finders' warrants were issued with a fair value of $163,215.

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

	June 30, 2017	June 30, 2016
Risk–free interest rate	**0.55%-1.12%**	0.46%-0.73%
Expected life of warrants	**2-4 years**	0.5-3.0 years
Dividend rate	**Nil**	Nil
Expected volatility	**114%-122%**	114%-125%
Fair value per warrant issued and/or amended	**$0.21-$0.35**	$0.01-$0.19

13 Finance costs (income)

		June 30, 2017		June 30, 2016
Interest on long term debt	**$**	**1,039,063**	$	-
Fair value gain on Gold Call Options		**(290,233)**		-
Interest income		**(80,536)**		(12,930)
	$	**668,294**	$	(12,930)

14 Income taxes

a) Income tax recovery

The following table reconciles the expected income tax 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, 2017 and 2016:

		June 30, 2017		June 30, 2016
Net loss before taxes	**$**	**(5,011,219)**	$	(3,749,192)
Statutory tax rate		**26%**		26%
Expected income tax recovery	**$**	**(1,302,917)**	$	(974,790)
Non-deductible items		**222,503**		367,984
Foreign tax rate difference		**(437,448)**		(742,296)
Change in deferred tax assets not recognized		**997,885**		1,349,102
Total income tax recovery	**$**	**(519,977)**	$	-

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

14 Income taxes (continued)

During the year ended June 30, 2017 a deferred tax credit of $519,977 (2016: $Nil) related to the equity component of the convertible debentures (Note 9) was charged to equity.

b) Deferred tax assets and liabilities

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. Deferred tax assets (liabilities) as at June 30, 2017 and 2016 are as follows:

		June 30, 2017		June 30, 2016
Tax loss carryforwards	**$**	**6,127,764**	$	2,939,129
Convertible debentures		**(601,478)**		-
Property, plant and equipment		**(5,144)**		(78,953)
Mining interests		**(5,226,920)**		(2,860,176)
Gold Call Options		**(294,222)**		-
Net deferred tax asset (liability)	**$**	**-**	$	-

The unrecognized deductible temporary differences are as follows:

		June 30, 2017		June 30, 2016
Property, plant and equipment	**$**	**10,915**	$	14,671
Mining interests		**1,123,034**		1,220,931
Financing costs		**1,234,015**		597,340
Provision for reclamation and remediation		**2,078,876**		1,055,130
Gold Call Options		**543,560**		-
Deferred gain or sale of investments		**3,683,610**		3,666,579
Tax loss carryforwards		**10,578,821**		10,769,417
Unrecognized deductible temporary differences	**$**	**19,252,831**	$	17,324,068

As at June 30, 2017, the Company had non-capital tax loss carryforwards in Canada of $2,703,912 which can be applied to reduce future Canadian taxable income and will expire between 2033 and 2037. In addition, the Company had net operating tax loss carryforwards in the United States of $25,725,529 (US$19,823,941) which can be applied to reduce future US taxable income and will expire between 2031 and 2037. Of these losses, the Company has recognized a deferred tax asset (Note 14(a)) in respect of $2,313,378 of losses in Canada and $15,537,242 of losses in the US.

15 Supplemental disclosure of non-cash activities

The following non-cash investing and financing activities occurred for the years ended June 30, 2017 and 2016:

		June 30, 2017		June 30, 2016
Convertible debentures financing finder's warrants	**$**	**163,215**	$	-
Shares issued as convertible debenture interest payment	**$**	**317,382**	$	-
Shares issued as financing fees for debt	**$**	**629,245**	$	-
Shares issued for mining interests	**$**	**-**	$	342,856
Fair value of Gold Call Options at issue	**$**	**841,105**	$	-
Changes in trade and other payables included in mining interests	**$**	**(14,998)**	$	114,680
Changes in trade and other payables included in property, plant and equipment	**$**	**3,171,636**	$	-
Depreciation and accretion included in mining interests	**$**	**368,644**	$	182,191

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

16 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.

Balances due to related parties are as follows:

		June 30, 2017		June 30, 2016
Consulting fees payable	**$**	**17,863**	$	5,000
Shared office expenses (receivable) payable	**$**	**(1,373)**	$	15,307

Related party transactions are as follows:

	Note		**June 30, 2017**		June 30, 2016
Consulting fees	(i)	**$**	**315,000**	$	405,602
Shared office expenses	(ii)	**$**	**1,304**	$	29,660

(i) Consulting fees charged by companies controlled by certain directors of the Company are included in professional fees, salaries and wages, mining interests expenditures, and deferred financing costs.

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

Commitments with related parties

The Company has 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.

17 Key management personnel compensation

The remuneration of the Company's directors and other key management personnel for the years ended June 30, 2017 and 2016 is as follows:

		June 30, 2017		June 30, 2016
Salaries, fees and short-term benefits	**$**	**946,186**	$	478,879
Termination benefits	**$**	**400,000**	$	-
Share-based payments	**$**	**488,595**	$	70,185

Termination benefits are due to a one-time event and are not expected to occur annually.

18 Commitments

The Company has entered into contracts for leased premises, which expire at various dates through to March 2022. Total future minimum lease payments (net of sub-lease arrangement) under these contracts are as follows:

Within 1 year	$	139,780
2 to 3 years		9,385
4 to 5 years		4,741

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

19 Financial instruments and financial risk management

The carrying values of cash, accounts receivable, current portion of long term debt, 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.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly. The Company has classified Gold Call Options 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, 2017:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash	$ 24,985,035	$ -	$ -	$ 24,985,035
Accounts receivable	82,553	-	-	82,553
	25,067,588	-	-	25,067,588
Financial Liabilities				
Trade and other payables	(3,708,108)	-	-	(3,708,108)
Current portion of long term debt	(720,944)	-	-	(720,944)
Gold Call Options	-	(543,560)	-	(543,560)
	$ 20,638,536	$ (543,560)	$ -	$ 20,094,976

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. Accounts receivable at June 30, 2017 related primarily to amounts for a refund 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 budgets and forecasts, which are regularly monitored and updated as management considers necessary, and through the Company's capital management activities.

(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 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, 2017, $19,748,312 (US$15,217,933) 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 $1,974,831 on the consolidated statements of 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. Fluctuations in gold prices affect the fair market value of the Gold Call Options as the fair value is based on the market price of gold at the end of each period. A 10% fluctuation in the price of gold would result in an impact of approximately US$382,176 on the consolidated statements of loss.

(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, and is exposed to interest rate risk on its outstanding borrowings. The Company also pays interest monthly for its senior secured credit facility, at an annual interest rate of 12-month USD LIBOR plus 8%. With other variables unchanged, a 1% increase on the Company's floating rate debt would increase annual interest expense by $129,770 (US$100,000). The Company closely monitors its exposure to interest rate risk and has not entered into any derivative contracts to manage this risk.

20 Capital management

The Company manages its capital to ensure that it will be able to continue as a going concern (Note 1) while maximizing the return to stakeholders through the optimization of the debt and equity. The Company manages capital through its operating and financial budgeting and forecasting processes on a regular basis. The Company reviews its working capital and future cash flow forecasts which are reviewed and approved by the Board of Directors. The Company continually makes strategic and financial adjustments according to market conditions to meet its objectives.

The capital structure of the Company consists of non-current debt, equity comprised of share capital, share option reserve, warrant reserve, equity component of convertible debentures, accumulated other comprehensive loss and deficit.

The Company is in compliance with externally imposed debt covenants relating to its Facility (Note 9) as at June 30, 2017.

(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 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, 2017
		Canada		**USA**		**Total**
Property, plant and equipment	$	15,960	$	17,051,619	$	17,067,579
Restricted cash and reclamation deposits		-		1,161,837		1,161,837
Mining interests		-		28,365,380		28,365,380
	$	**15,960**	**$**	**46,578,836**	**$**	**46,594,796**

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

22 Subsequent events

Subsequent to June 30, 2017:

- The Company closed a non-brokered private placement raising gross proceeds of $3,031,860, of which $2,381,600 was received during the year ended June 30, 2017. Pursuant to the private placement, the Company issued an aggregate of 5,830,500 units at a purchase price of $0.52 per unit. Each unit consists of one common share of the Company and one half non-transferable common share purchase warrant. Each warrant has a term of five years and entitles the holder to acquire one common share of the Company at an exercise price of $0.91 for a period of two years from the date of issuance of the warrant and at a price of $1.04 for the remainder of the term of the warrant. Cash finders' fees of 6% on a portion of the gross proceeds raised under the private placement, totaling $147,513 were paid to certain finders at arm's length to the Company.

- The Company completed the final tranche of a US$20,000,000 non-brokered private placement, issuing 23,849,230 units at a price of $0.52 per unit for gross proceeds of US$9,213,670. Each unit consists of one common share of the Company and one half non-transferable common share purchase warrant. Each warrant has a term of five years and entitles the holder to acquire one common share of the Company at an exercise price of $0.91 for a period of two years from the date of issuance of the warrant and at a price of $1.04 for the remainder of the term of the warrant.

- The Company drew an additional US$5,000,000 from its Facility (Note 9).

22 Subsequent events (continued)

- The Company executed a definitive Master Lease Agreement (the "MLA") for up to US$9,000,000 of equipment purchases.

  The significant terms and conditions of the MLA include:

  - Financing between 70% - 80% of the equipment purchase price to maximum amount of US$9,000,000 of equipment purchases;
  - Quarterly payments over a four year lease period;
  - The right to buy the equipment at the end of the lease period for nominal consideration;
  - Security over the acquired assets in favour of the lender and a guarantee from the Company; and
  - Payment of interest and arrangement and commitment fees to the lender.

  The Company has drawn US$4,699,424 under the MLA.

- 8,272,441 warrants expired and 443,000 warrants were exercised for proceeds of $199,350.

- 750,000 options were issued at a price of $0.68 per share for a period of five years, 1,800,000 options expired, 150,000 options were forfeited and 750,000 options were exercised for proceeds of $287,000.