AQUILA RESOURCES

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States Dollars, unless otherwise stated)
(Unaudited)

FOR THE THREE MONTHS ENDED MARCH 31, 2017

Notice of No Auditor Review of Interim Financial Statements

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

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management. The Company's independent auditor has not performed a review of these financial statements.

AQUILA RESOURCES

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at March 31, 2017 and December 31, 2016
(Unaudited, expressed in United States Dollars)

	March 31, 2017	December 31, 2016
ASSETS		
Current assets		
Cash	**$ 5,052,351**	$ 1,398,627
Accounts receivable	**228,540**	208,453
Prepaid expenses	**56,885**	75,450
	5,337,776	1,682,530
Non-current assets		
Mineral property costs (Note 4)	**24,058,985**	24,007,416
Security deposits	**36,633**	36,633
Capital assets (Note 5)	**799,371**	805,525
TOTAL ASSETS	**$ 30,232,765**	$ 26,532,104
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**$ 1,091,836**	$ 1,021,364
Warrants payable (Note 8)	**2,607,249**	1,133,939
	3,699,085	2,155,303
Silver stream (Note 6)	**16,264,692**	16,264,692
Contingent consideration (Note 3)	**4,325,721**	4,316,660
Total liabilities	**24,289,498**	22,736,655
Shareholders' equity		
Share capital (Note 7a)	**63,354,432**	58,747,278
Contributed surplus (Note 7)	**8,323,803**	8,103,492
Warrants (Note 8)	**156,762**	80,847
Deficit	**(65,891,730)**	(63,136,168)
	5,943,267	3,795,449
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 30,232,765**	$ 26,532,104

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

Nature of operations and going concern (Note 1)
Commitments related to project spending (Note 4)

Approved on behalf of the Board
"Andrew W. Dunn, FCPA, FCA" Director *"Barry Hildred"* Director

AQUILA RESOURCES

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
For the three months ended March 31, 2016 and 2017
(Unaudited, expressed in United States Dollars, except number of shares)

	Three months ended March 31, 2017	Three months ended March 31, 2016
EXPENSES		
Mineral property exploration expenses	**$ 1,320,701**	$ 756,990
Administrative expenditures (Note 11)	**960,665**	777,608
Loss from operations	**$ 2,281,366**	$ 1,534,598
Other expenses (income)		
Net interest	**1,060**	1,752
Loss on foreign exchange	**81,833**	389,950
Loss (gain) on change in value of contingent consideration	**(32,260)**	113,152
Loss (gain) on change in value of warrants	**423,563**	(254,723)
Total comprehensive loss	**$ 2,755,562**	$ 1,784,729
Loss per share		
Basic and diluted	**$ 0.01**	$ 0.01
Weighted average number of shares outstanding - basic and diluted	**256,332,154**	220,955,874

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

AQUILA RESOURCES

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
As at March 31, 2017 and 2016
(Unaudited, expressed in United States Dollars)

	Share Capital Number	Share Capital $	Contributed Surplus	Warrants	Deficit	Total
Balance, December 31, 2015	220,914,874	$ 56,350,520	$ 7,083,896	$ 859,992	$ (55,205,906)	$ 9,088,502
Shares issued on exercise of warrants	45,500	8,678	-	(3,423)	-	5,255
Warrants expired	-	-	2,030	(2,030)	-	-
Share-based compensation expense	-	-	205,374	-	-	205,374
Net loss for the period	-	-	-	-	(1,784,729)	(1,784,729)
Balance, March 31, 2016	220,960,374	56,359,198	7,291,300	854,539	(56,990,635)	7,514,402
Shares issued on exercise of warrants	13,561,539	2,174,220	518,462	(773,692)	-	1,918,990
Share-based compensation expense	-	-	395,165	-	-	395,165
Shares issued on exercise of options	1,000,000	112,425	-	-	-	112,425
Fair value on exercise of options	-	101,435	(101,435)	-	-	-
Net loss for the period	-	-	-	-	(6,145,533)	(6,145,533)
Balance, December 31, 2016	235,521,913	58,747,278	8,103,492	80,847	(63,136,168)	$ 3,795,449
Shares issued from private placement	36,017,725	6,018,202	-	-	-	6,018,202
Share issue costs	-	(240,915)	-	(42,514)	-	(283,429)
Fair value assigned to warrants	-	(1,094,218)	-	1,094,218	-	-
Fair value transferred to warrants payable	-	-	-	(1,051,704)	-	(1,051,704)
Fair value assigned to broker warrants	-	(75,915)		75,915	-	-
Share-based compensation expense	-	-	220,311	-	-	220,311
Net loss for the period	-	-	-	-	(2,755,562)	(2,755,562)
Balance, March 31, 2017	**271,539,638**	**$ 63,354,432**	**$ 8,323,803**	**$ 156,762**	**$ (65,891,730)**	**$ 5,943,267**

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

AQUILA RESOURCES

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASHFLOWS
For the three months ended March 31, 2017 and 2016
(Unaudited, expressed in United States Dollars)

	Three months ended March 31,	
	2017	2016
Cash generated from (used in)		
Operating activities		
Net loss for the period	**$ (2,755,562)**	$ (1,784,729)
Items not affecting cash:		
Change in fair value of warrants	**423,563**	(254,723)
Loss on change in fair value of contingent consideration	**(32,260)**	113,152
Unrealized foreign exchange loss (gain)	**25,798**	312,430
Share-based compensation	**220,311**	205,374
Amortization	**8,806**	6,890
	$ (2,109,344)	**$ (1,401,606)**
Net change in non-cash working capital		
Accounts receivable	**(20,087)**	(42,091)
Prepaid expenses	**18,565**	12,229
Accounts payable and accrued liabilities	**70,472**	(190,315)
Net cash generated used in operating activities	**$ (2,040,394)**	$ (1,621,783)
Investing activities		
Acquisition of equipment	**(2,652)**	(35,923)
Increase in mineral properties	**(51,569)**	(31,569)
Net cash used in investing activities	**$ (54,221)**	$ (67,492)
Financing activities		
Issuance of common shares, net of share issue costs	**5,734,773**	-
Net cash generated from financing activities	**$ 5,734,773**	$ 5,255
Increase (decrease) in cash	**3,640,158**	(1,684,020)
Effect of foreign exchange on cash	**13,566**	(2,190)
Cash, beginning of period	**1,398,627**	3,274,160
Cash, end of period	**$ 5,052,351**	$ 1,587,950

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

(Unaudited, expressed in United States Dollars, unless otherwise stated)

1. Nature of Operations and Going Concern

Aquila Resources Inc. (the "Company" or "Aquila") is in the business of exploring for and developing mineral properties. Substantially all of the Company's efforts are devoted to these activities.

Aquila was incorporated in the Province of Ontario and is listed on the Toronto Stock Exchange under the symbol "AQA". The Company's head office address is 141 Adelaide Street West, Suite 520, Toronto, Ontario, Canada, M5H 3L5.

The Company's primary investment is the Back Forty Joint Venture LLC ("BFJV"). This investment holds a property for which a Preliminary Economic Assessment Technical Report ("PEA") was released in April 2012, and for which a new PEA was released in July 2014. In July 2012 HudBay Minerals Inc. ("HudBay"), which had the controlling interest in the BFJV, suspended its exploration and evaluation activities at the Back Forty Project. On November 7, 2013, Aquila signed a definitive agreement with HudBay to take control and 100% ownership of the BFJV. These transactions were completed in January 2014.

The business of mining and exploration for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, and the ability of the Company to raise financing, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

The Company's ability to realize costs it has incurred to date on its properties is dependent upon it being able to identify economically recoverable reserves; to finance their exploration and evaluation costs; to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the reserves; and to attain profitable operations.

Although the Company has taken steps to verify title to the properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, undetected defects, unregistered claims, native land claims, and non-compliance with regulatory and environmental requirements.

Details of deficit and working capital (excluding warrants payable) of the Company are as follows:

	March 31, 2017	December 31, 2016
Deficit	**$ 65,891,730**	$ 63,136,168
Working capital excluding warrants payable	**4,245,940**	661,166

These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Changes in future conditions could require a material write down of carrying values and meet its obligations as they fall due.

These condensed interim consolidated financial statements have been prepared on the basis of that Aquila is a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying condensed interim consolidated financial statements. Such adjustments could be material. It is not possible to predict whether the Company will be able to raise adequate financing or to ultimately attain profitable levels of operations. In addition, the Company has taken steps to organize financing for the Company in the short term and have plans for funding options through the development phase of the mine. However, there can be no assurance over the ability to execute on such financing transactions.

2. Accounting Policies

Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board (“IASB”) and interpretations issued by International Financial Reporting Interpretations Committee. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors of the Company on May 10, 2017.

Basis of Preparation and Presentation

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

In the preparation of these unaudited condensed interim consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates. The significant estimates and assumptions are consistent with these disclosed in the Company’s audited consolidated financial statements for the year ended December 31, 2016 except for warrants (Note 8) and contingent consideration (Note 3).

Basis of Consolidation

No new IFRS accounting standards have been adopted by the Company during the three month period ended March 31, 2017.

Future Accounting Pronouncements

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement ("IAS 39") for debt instruments with a new mixed measurement model having only two categories; amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 will be effective as at January 1, 2018, with early adoption permitted. The Company is planning to adopt IFRS 9 effective January 1, 2018. While the Company has not finalized its detailed impact assessment, the Company does not expect the new standard to have a significant impact on the measurement of financial instruments.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 was issued in May 2014 to replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 establishes principles to address the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple element arrangements. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is planning to adopt IFRS 15 on January 1, 2018. While the Company has not finalized its detailed impact assessment, the Company does not expect the new standard to have a significant impact on the measurement or timing of revenue recognition.

IFRS 16, Leases ("IFRS 16")

IFRS 16 was issued in January 2016, replaces IAS 17, Leases. IFRS 16 results in most leases being reported on the balance sheet for lessees, eliminating the distinction between a finance lease and an operating lease. The standard is expected to impact the accounting for the Company's operating leases, which are currently reflected in the consolidated statements of loss. Under IFRS 16, all operating leases, except for short term and low value leases, are expected to be accounted for as finance leases. As a result, the leased assets and the associated obligations are recognized in the consolidated statements of financial position. The leased assets will be depreciated over the shorter of the estimated useful life of the asset and the lease term. The lease payments are apportioned between finance charges and a reduction of the lease liability. The current operating lease expense will be replaced with a depreciation charge on the leased assets and a finance charge on the lease liability, which are in aggregate expected to result in a higher total periodic expense in the earlier periods of the lease. Based on the Company's current situation, the Company does not expect any material impact upon adoption of this standard.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for companies that also adopt IFRS 15. The Company does not intend to adopt IFRS 16 before its mandatory date.

3. Contingent Consideration

On December 30, 2013, the shareholders approved the acquisition of 100% of the shares of HudBay Michigan Inc. ("HMI"), a subsidiary of HudBay Minerals Inc. ("HudBay"), effectively giving Aquila 100% ownership in the Back Forty Project (the "HMI Acquisition"). Pursuant to the HMI Acquisition, HudBay's 51% interest in the Back Forty Project was acquired in consideration for the issuance of common shares of Aquila, future milestone payments tied to the development of the Back Forty Project and a 1% net smelter return royalty on production from certain land parcels in the project.

The contingent consideration is composed of the following:

a) Fair value of future instalments is based on C$9.0 million tied to development of the Back Forty project as follows:

   (i) C$3.0 million payable on completion of any form of financing for purposes including the commencement of construction of Back Forty (up to 50% of the C$3.0 million can be paid, at Aquila's option in Aquila shares with the balance payable in cash);
   (ii) C$2.0 million payable in cash 90 days after the commencement of commercial production;
   (iii) C$2.0 million payable in cash 270 days after the commencement of commercial production, and;
   (iv) C$2.0 million payable in cash 540 days after the commencement of commercial production.

b) Fair value of the 1% net smelter royalty (NSR) on production from certain land parcels on the Back Forty project, capped at C$7.0 million

On March 31, 2015, Aquila paid HudBay $1.0 million in cash plus $225,000 of Unit financing (as described above) which is equivalent to 1,730,769 units, with each unit comprising one share and one-half of one warrant, to settle the 1% net smelter return ("NSR") royalty portion of the contingent consideration.

For the three months ended March 31, 2017, a time value of money calculation was utilized to value the contingent consideration. Each milestone payment was assessed separately. Key risks including permitting, feasibility study, commercial production and timing were each assigned a probability weighting based on the likelihood of occurrence. U.S. Department of the Treasury bond yields ranging from 1.03% to 1.93% were used as the risk-free rate. The milestone payments are estimated to commence in 2018 with commercial production starting in 2020. When performing a sensitivity analysis a 10% change in each of the probabilities, will impact on the fair value of the contingent consideration by an estimated $1,174,000 to $1,315,000. If another key assumption, being the commencement of the milestone payments and the commencement of production, were pushed by one year to 2018 and 2021, respectively, the combined impact on fair value would decrease by an estimated $36,000.

(Unaudited, expressed in United States Dollars, unless otherwise stated)

The fair value of the contingent consideration is as follows:

Fair value as at December 31, 2015	$4,116,623
Loss on change in value of contingent consideration	71,133
Change due to foreign exchange	128,904
Fair value at December 31, 2016	$4,316,660
Loss on change in value of contingent consideration	(32,260)
Change due to foreign exchange	41,321
Fair value at March 31, 2017	**$4,325,721**

4. Mineral Property Costs

Total accumulated deferred mineral property costs are detailed as follows:

Year ended December 31, 2016	Balance beginning of year	Acquisition	Balance, end of year
Back Forty Project	$ 22,976,808	$ 718,293	$ 23,695,101
Reef Gold Project	220,284	46,031	266,315
Aquila Nickel Project	-	46,000	46,000
	$ 23,197,092	$ 810,324	$ 24,007,416

Three months ended March 31, 2017	**Balance beginning of year**	**Acquisition**	**Balance, end of year**
Back Forty Project	$ 23,695,101	$ -	$ 23,695,101
Reef Gold Project	266,315	17,669	283,984
Aquila Nickel Project	46,000	33,900	79,900
	$ 24,007,416	**$ 51,569**	**$ 24,058,985**

Back Forty Project

The Back Forty Project (the "Project") controls surface and mineral rights which are owned or held under lease or option by BFJV. Some lands are subject to net smelter royalties varying from 1% to 3.5%, with certain lands subject to a 2% - 7% state royalty, which under state law can be renegotiated, at the option of Aquila.

(Unaudited, expressed in United States Dollars, unless otherwise stated)

Estimated lease, option and property acquisition costs related to the Back Forty Project for 2017 to 2019, for which the Company is materially liable, are as follows:

Year	Amount
2017	$ 215,803
2018	$ 230,637
2019	$ 245,472

Reef Gold Project

The Company entered into a series of agreements with private landholders in Marathon County, Wisconsin for the optioning of surface and mineral rights. The agreements consist of mining leases and exploration agreements with an option to purchase. These agreements which have terms from 2 to 20 years up to 2031. A variable net smelter royalty up to 2% is payable in the event of mineral production on the property.

Estimated lease and/or option costs related to the Reef Project for 2017 to 2019, which are at the Company's option, are as follows:

Year	Amount
2017	$ 87,219
2018	$ 615,416
2019	$ 301,350

Bend

While there is no capitalized value associated with its 100% ownership of the Bend property, the Company is continuing to pursue this project.

Aquila Nickel

Aquila has initiated nickel exploration activities in three separate areas located north of the Back Forty Project in the Upper Peninsula of Michigan. The Company entered into a series of agreements with private landholders for the optioning of surface and mineral rights. The agreements consist of mining leases and exploration agreements with an option to purchase. A variable net smelter royalty up to 3% is payable in the event of mineral production on the property.

Estimated lease and/or option costs related to the Central Nickel Project for 2017 to 2019, which are at the Company's option, are as follows:

Year	Amount
2017	$ 18,400
2018	$ 22,900
2019	$ 323,500

(Unaudited, expressed in United States Dollars, unless otherwise stated)

5. Capital Assets

Cost	Land	Buildings	Furniture and Fixtures	Total
Balance December 31, 2016	$ 380,880	$ 541,017	$ 92,213	$ 1,014,110
Additions	-	-	2,652	**2,652**
Balance, March 31, 2017	**$ 380,880**	**$ 541,017**	**$ 94,865**	**$ 1,016,762**

Accumulated Depreciation	Land	Buildings	Furniture and Fixtures	Total
Balance, December 31, 2016	$ -	$ 164,517	$ 44,068	$ 208,585
Charge	-	3,687	5,119	8,806
Balance, March 31, 2017	**$ -**	**$ 168,204**	**$ 49,187**	**$ 217,391**

Net book value, December 31, 2016	$ 380,880	$ 376,500	$ 48,145	$ 805,525
Net book value, March 31, 2017	**$ 380,880**	**$ 372,813**	**$ 45,678**	**$ 799,371**

6. Orion Financing and Streaming Agreement

On March 31, 2015, the Company closed a financing transaction with Orion Mine Finance ("Orion") that includes an equity private placement and a silver purchase agreement for total cash payments of $20.75-million.

a) Equity Private Placement

The Company issued 26,923,077 units to Orion at a price of 13 cents per unit for gross proceeds of $3.5 million. Each unit was composed of one common share and one-half of a warrant. Each full warrant entitles Orion to purchase one common share for a price of 19 cents (C$ 26 cents) for a period of 36 months. Orion also has the right to participate in any future equity or equity-linked financings to maintain its ownership level in Aquila. In connection with the private placement, Orion received the right to nominate one individual to the board of directors of Aquila for 24 months and thereafter for such time as Orion owns at least 10 per cent of the outstanding common shares. Orion's nominee was elected to the board of directors in June 2015. On June 1, 2016, Orion exercised 13,461,539 warrants of its warrants for gross proceeds to the Company of $2,557,692. At March 31, 2017, Orion held 17.5% of the common shares of the Company (December 31, 2016 – 19.8%). The proceeds received from this transaction were recorded as an equity transaction.

b) Silver Stream

Under the terms of the silver purchase agreement, Orion has agreed to purchase up to 75 per cent of the total silver produced from the Back Forty project at $4.00 per ounce. In exchange for the right to purchase silver, Orion agreed to pay Aquila $17.25 million, payable in five instalments. Orion has advanced the first instalment of $6.5 million, the second instalment of $3.0 million, an advance on the third instalment of $1.5 million, the balance of the third instalment of $1.875 million plus the $1.35 million land payment, a total of $16.26 million and is shown as Silver Stream on the Statement of Financial Position as at December 31, 2016. An additional $653,692 was added to the value of the Silver Stream on the partial exercise of the Orion warrants. Refer to note 9(a)(ii) for further information. In June 2016, the silver purchase agreement was amended to reduce the deposit owing by $625,000. In November 2016, the silver purchase agreement was amended to reduce the deposit owing by $14,000 and Orion advanced the Company $1.386 million on the fourth deposit. The remaining $1.0 million is payable in one instalment over the next 12 months and is subject to the completion of certain milestones and the satisfaction of certain other conditions. Therefore, it is not reflected in the statement of financial position at this time. Orion has been provided a general security agreement over the subsidiaries of Aquila that are directly involved with development of the Back Forty project. Where the market price of silver is greater than $4, the difference realized from the sale of the silver will be applied against any deposit received from Orion.

The initial term of the agreement is for 40 years, automatically renewable for the successive 10 year periods, unless there has been no active mining operations on the Back Forty property during the last 10 years of the initial term or throughout any renewal terms.

The agreement is subject to certain operating and financial covenants, which are in good standing as of March 31, 2017. The agreement contains a covenant which requires the Company to have received all permits necessary to construct the mine by March 31, 2017. The Company finalized an amendment with Orion extending this condition to December 31, 2017.

(Unaudited, expressed in United States Dollars, unless otherwise stated)

7. Share Capital

a) Authorized

Unlimited number of common shares.

Issued and outstanding:

	Number of Shares	Total
Balance, December 31, 2015	220,914,874	$ 56,350,520
Shares issued on exercise of warrants	45,500	8,678
Balance, March 31, 2016	220,960,374	56,359,198
Shares issued on exercise of warrants	13,461,539	2,159,231
Shares issued on exercise of warrants	100,000	14,989
Shares issued on exercise of options	1,000,000	112,425
Fair value transferred on exercise of options	-	101,435
Balance, December 31, 2016	235,521,913	$ 58,747,278

	Number of Shares	Total
Balance, December 31, 2016	235,521,913	$ 58,747,278
Shares issued on private placement (i)	36,017,725	6,018,202
Transactions cost (i)	-	(283,429)
Fair value assigned to warrants (i)	-	(1,094,218)
Transaction costs assigned to warrants (i)	-	42,514
Fair value assigned to broker warrants (i)	-	(75,915)
Balance, March 31, 2017	**271,539,638**	**$ 63,354,432**

i) Under the terms of a private placement, on February 7, 2017, the Company issued 36,017,725 units ("Units") at a price of C$ 22 cents per unit for gross proceeds of C$7.9 million ($6.0 million). Each Unit is comprised of one common share and one-half of a warrant ("Warrant"). Each full Warrant entitles the bearer to purchase one common share for a price of C$ 30 cents for a period of 36 months. Transaction costs allocated to this private placement were C$317,201 ($283,429).

The resulting 18,008,862 warrants issued in conjunction with the private placement were ascribed a fair value of C$1,440,709 ($1,094,218) using the Black-Scholes pricing model with the following assumptions: a dividend yield of nil, expected volatility of 88%, risk free interest rate 0.71%, and an expected life of 3 years. Transactions costs of C$55,977 ($42,514) were allocated to the warrants. See note 8(a) for further details.

Broker warrants totaling 1,249,414 warrants issued in conjunction with the private placement were ascribed a fair value of C$99,953 ($75,915) using the Black-Scholes pricing model with the following assumptions: a dividend yield of nil, expected volatility of 88%, risk free interest rate 0.71%, and an expected life of 2 years. See note 8(a) for further details.

(Unaudited, expressed in United States Dollars, unless otherwise stated)

b) Stock-option plan and share-based compensation:

The Company maintains a Stock Option Plan (the "Plan") for the benefit of directors, officers, employees, consultants and other service providers of the Company and its subsidiaries in order to assist the Company in attracting, retaining, and motivating such persons by providing them with the opportunity, through stock options to acquire an increased proprietary interest in the Company. Under the Plan, options may be granted for a term not exceeding ten years. The number of common shares that may be reserved for issuance to any one person must not exceed 5% of the outstanding common shares. The number of common shares reserved for issue under the Option Plan will not exceed 10% of the number of then outstanding common shares. The exercise price of an option may not be lower than the closing price of the common shares on the TSX, subject to applicable discounts, on the business day immediately before the date the option is granted. The options are non-transferable and non-assignable.

A summary of the Company's stock option, and changes during the three months ended March 31, 2017 are presented below:

	Number of Stock Options	Weighted Average Exercise Price CDN	
Balance - January 1, 2016	17,900,000	$	0.16
Granted	1,500,000		0.19
Granted	1,250,000		0.15
Forfeited options	(800,000)		0.15
Balance, March 31, 2016	**19,850,000**	**$**	**0.16**

	Number of Stock Options	Weighted Average Exercise Price	
Balance - January 1, 2017	18,425,000	$	0.17
Granted (i)	570,250		0.265
Granted (ii)	1,775,000		0.265
Balance, March 31, 2017	**20,770,250**	**$**	**0.18**

(i) On February 10, 2017, the Company granted 570,250 options, of which vested immediately, to officers and employees of the Company, each such option entitling the holder to acquire one common share of the Company at an exercise price of C$ 26.5 cents until February 9, 2025.

The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: a dividend yield of nil, forfeiture rate of nil, expected volatility of 97%, risk free interest rate 1.43%, and an expected life of 8 years. The stock options were assigned a value of $94,831, which was charged to loss with the offset to contributed surplus during the quarter ended March 31, 2017.

(ii) On February 10, 2017, the Company granted 1,775,000 options, of which 25% vest on issuance, 25% in 12 months, 25% in 24 months and 25% in 36 months, to directors, officers and employees of the Company, each such option entitling the holder to acquire one common share of the Company at an exercise price of C$ 26.5 cents until February 9, 2025.

(Unaudited, expressed in United States Dollars, unless otherwise stated)

The fair value assigned was estimated using the Black-Scholes option pricing model with the following assumptions: a dividend yield of nil, forfeiture rate of nil, expected volatility of 97%, risk free interest rate 1.43%, and an expected life of 8 years. The stock options were assigned a value of $295,179, of which $91,957 was charged to loss with the offset to contributed surplus during the quarter ended March 31, 2017. The remaining fair value balance of $203,222 is to be charged to loss in future periods.

As at March 31, 2017, common share stock options held by directors, officers, employees and consultants are as follows:

Expiry Date	Number of Options Outstanding	Number of Options Vested	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
January 16, 2019	3,117,500 *	3,117,500	C$ 0.15	1.79
April 6, 2020	500,000	250,000	0.19	3.02
January 16, 2022	7,232,500 *	7,232,500	0.15	4.79
April 6, 2023	3,300,000	2,150,000	0.19	6.02
June 25, 2023	1,400,000	700,000	0.19	6.24
January 11, 2024	1,500,000	1,500,000	0.19	6.78
February 8, 2024	1,250,000	625,000	0.15	6.86
May 11, 2024	125,000	83,333	0.23	7.11
February 10, 2025	2,345,250	1,014,000	0.265	7.86
	20,770,250	15,658,333	$ 0.18	5.22

* Issued under plan of arrangement.

(Unaudited, expressed in United States Dollars, unless otherwise stated)

8. Warrants

The movements in the number and estimated fair value of outstanding broker warrants and share purchase warrants for the three months ended March 31, 2017 and 2016 are as follows:

a) Canadian Dollar Warrants

	2017		2016	
		Weighted average exercise price		Weighted average exercise price
Balance, January 1	**12,239,676**	**C$ 0.16**	16,362,126	C$ 0.36
Issued (note 7a(v))	**19,258,276**	**0.30**	-	-
Exercised (note 7a(i))		**-**	(45,500)	0.15
Expired		**-**	(26,950)	0.15
Balance, March 31,	**31,497,952**	**C$ 0.25**	16,289,676	C$ 0.16

b) US Dollar Warrants

	2017		2016	
		Weighted average exercise price		Weighted average exercise price
Balance, January 31, and March 31,	**865,385**	**$0.19**	14,326,924	$0.19

The exercise price, expiry date, and warrants issued and outstanding as at March 31, 2017 are as follows:

Number of warrants outstanding	Exercise Price	Expiry Date	Weighted average life (yrs)
9,210,926	C$ 0.15	September 18, 2017	0.47
2,845,000	0.20	May 17 to June 21, 2018	1.23
183,750	0.12	May 17 to June 22, 2018	1.23
1,249,414	0.30	February 6, 2019	1.86
18,008,862	0.30	February 6, 2020	2.86
31,497,952	**C$ 0.25**		**1.97**

Number of warrants outstanding	Exercise Price	Expiry Date	Weighted average life (yrs)
865,385	$ 0.19	March 31, 2018	1.00
865,385	**$ 0.19**		**1.00**

9. Derivative Liabilities

a) Warrants

During the three months ended March 31, 2017, one equity offering was completed whereby 18,008,862 warrants and 1,249,414 broker warrants were issued with exercise prices denominated in Canadian dollars (March 31, 2016 – no warrants issued in Canadian dollars). Where the warrants have an exercise price denominated in a currency which is different from the functional currency of the Company (US dollar), the warrants are treated as a financial liability. Broker warrants are accounted as equity. The Company's share purchase warrants are classified and accounted for as a financial liability at fair value with changes in fair value recognized in net earnings. The warrant derivative liability is classified as level 2 in the fair value hierarchy. As of March 31, 2017, the Company had 29,826,216 (December 31, 2016 – 11,817,354) warrants outstanding which are classified and accounted for as a financial liability. The Company uses the Black-Scholes Option Pricing Model to estimate the fair value of the Canadian dollar denominated warrants. See note 7(a) for further information.

For the three months ended March 31,	2017	2016
Risk-free interest rate	0.75%	0.73%
Expected life	0.47-2.86 years	0.72-1.48 years
Price volatility	72-85%	88%
Share price (C$)	0.25	0.26
Dividend yield	Nil	Nil

Black-Scholes pricing models require the input of highly subjective assumptions. Volatility was estimated based on average daily volatility based on historical share price observations over the expected term of the option grant.

(Unaudited, expressed in United States Dollars, unless otherwise stated)

10. Related Party Transactions

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the nomination, compensation and governance committee of the Board of Directors. During the three months ended March 31, 2017, director's fees, professional fees and other compensation of directors and key management personnel were as follows:

For the three months ended March 31,	2017	2016
Short-term compensation and benefits	**$ 262,384**	$ 213,489
Share-based payments (fair value of stock option benefits and share based payments)	**201,397**	162,113
	$ 463,781	$ 375,602

During the three months ended March 31, 2017, the Company had expenditures in the amount of $37,973 (2016 - $19,250) for shared office costs paid to a partnership in which one of the Company's directors is an owner.

During the three months ended March 31, 2017 a total of $69,508 (2016 - $40,000) was billed to the Company by a geological consulting company of which the VP of Exploration is the president.

During the three months ended March 31, 2017 rental expenditures in the amount of $3,000 (2016 - $3,600) were paid to a company of which the VP, Exploration is a part owner.

11. Administrative Expenses

For the three months ended March 31,	2017	2016
Salaries and benefits	**$ 339,543**	$ 252,269
Share-based compensation	**220,311**	205,374
Professional fees	**94,752**	76,723
Office, general and administration	**74,379**	105,979
Filing and regulatory fees	**72,416**	30,657
Travel and promotion	**56,386**	44,576
Rent	**37,973**	17,731
Directors' fees	**36,219**	14,554
Management and consulting fees	**19,880**	22,855
Amortization	**8,806**	6,890
	$ 960,665	$ 777,608