Condensed Interim Financial Statements of

WALLBRIDGE MINING COMPANY LIMITED

Three and six months ended June 30, 2017

(Unaudited)

WALLBRIDGE MINING COMPANY LIMITED

Notice of Disclosure of Non-auditor Review of the Condensed Interim Consolidated Financial Statements of Wallbridge Mining Company Limited for the three and six months ended June 30, 2017

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

The accompanying unaudited condensed interim financial statements of Wallbridge Mining Company Limited for the three and six months ended June 30, 2017 with comparative amounts for the three and six months ended June 30, 2016, have been prepared in accordance with the International Accounting Standard 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these interim financial statements.

WALLBRIDGE MINING COMPANY LIMITED

Condensed Interim Statements of Financial Position
(expressed in Canadian Dollars)

(Unaudited)

		June 30, 2017	December 31, 2016
Assets			
Current assets:			
Cash and cash equivalents	$	2,576,752	1,777,119
Restricted cash (note 6)		1,026	265,923
Amounts receivable		84,024	79,888
Deposits and prepaid expenses		207,945	286,321
Marketable securities		294	60,296
		2,870,041	2,469,547
Restricted cash (note 12 (b))		386,245	386,245
Promissory note (note 5)		272,334	-
Investment in Carube Copper Corp. (note 4)		608,682	378,221
Exploration and evaluation assets (note 6)		21,645,088	20,443,907
Property and equipment		308,693	329,573
	$	26,091,083	24,007,493
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities (note 7)	$	1,140,460	856,087
Deposit from partner (note 6)		1,026	265,923
Flow-through premium liability (note 12 (c))		-	26,929
Current portion of provision for closure plan (note 12 (b))		111,644	119,330
		1,253,130	1,268,269
Flow-through premium liability (note 12 (c))		213,000	-
Provision for closure plan (note 12 (b))		197,430	226,530
Long-term debt (note 8)		2,404,126	2,368,426
Deferred tax liability		147,000	-
		4,214,686	3,863,225
Equity (note 10):			
Share capital		60,328,229	58,268,292
Warrants		945,506	973,506
Contributed surplus		8,440,424	8,312,356
Deficit		(47,837,762)	(47,409,886)
Total Equity		21,876,397	20,144,268
Nature of operations and going concern (note 1)			
Commitments and contingencies (note 12)			
Subsequent event (note 10 (b))			
	$	26,091,083	24,007,493

See accompanying notes to condensed interim financial statements.

WALLBRIDGE MINING COMPANY LIMITED

Condensed Interim Statements of Loss
(expressed in Canadian Dollars)

(Unaudited)

		Three months ended June 30,		Six months ended June 30,	
		2017	**2016**	**2017**	**2016**
Revenue	$	-	2,752		(237,471)
Mining operating costs		-	-	-	-
Gain (loss) from mining operations		-	2,752	-	(237,471)
Other expenses and (income):					
General and administrative expenses (note 9)		478,966	406,045	838,401	832,371
Project evaluation costs		38,407	113,171	71,994	176,398
Amortization of property and equipment		9,868	12,208	19,734	24,418
Other income relating to flow-through premium (note 12 (c))		(114,000)	-	(166,929)	-
Interest income		(14,813)	(15,640)	(30,306)	(30,837)
Gain on derivative contracts		-	-	-	(109,814)
Loss (gain) on disposition of assets		3,068	(54,662)	3,068	(54,662)
Loss (gain) on marketable securities		117	(641)	18,473	(2,188)
Impairment (impairment reversal) of promissory note and receivable (notes 5 and 9)		-	15,005	(557,098)	23,197
Share of comprehensive losses of Carube Copper (note 4)		32,145	52,956	83,539	55,433
		433,758	528,442	280,876	914,316
Loss before income taxes		(433,758)	(525,690)	(280,876)	(1,151,787)
Deferred tax recovery (expense)		(83,000)	-	(147,000)	53,000
Net loss and comprehensive loss for the period	$	(516,758)	(525,690)	(427,876)	(1,098,787)
Weighted average number of common shares		236,120,785	176,071,744	229,792,324	171,616,091
Net loss per share:					
Basic	$	(0.00)	(0.00)	(0.00)	(0.01)
Diluted	$	(0.00)	(0.00)	(0.00)	(0.01)

See accompanying notes to condensed interim financial statements.

WALLBRIDGE MINING COMPANY LIMITED

Condensed Interim Statements of Changes in Equity
(expressed in Canadian Dollars)

(Unaudited)

	Number of Shares		Share Capital	Warrants	Contributed Surplus	Deficit		Total
Balance, December 31, 2016	**221,739,013**	**$**	**58,268,292**	**973,506**	**8,312,356**	**(47,409,886)**	**$**	**20,144,268**
Share issuances, net of share issuance costs	17,566,040		1,820,135	36,500	-	-		1,856,635
Flow-through share premiums	-		(353,000)	-	-	-		(353,000)
Exercise of warrants	5,850,000		538,000	(70,000)	-	-		468,000
Agent warrants	-		(5,500)	5,500	-	-		-
Restricted share units vested	652,537		60,302	-	(60,302)	-		-
Share based compensation	-		-	-	101,995	-		101,995
Deferred share units	-		-	-	86,375	-		86,375
Net loss for the period	-		-	-	-	(427,876)		(427,876)
Balance, June 30, 2017	**245,807,590**	**$**	**60,328,229**	**945,506**	**8,440,424**	**(47,837,762)**	**$**	**21,876,397**
Balance, December 31, 2015	**167,835,438**	**$**	**55,761,678**	**8,000**	**8,041,085**	**(45,315,077)**	**$**	**18,495,686**
Share issuances, net of share issuance costs	11,700,000		497,108	70,000	-	-		567,108
Share issuances, deposit on property acquisition	2,381,575		200,000	-	-	-		200,000
Share based compensation	-		-	-	21,835	-		21,835
Deferred share units	-		-	-	89,452	-		89,452
Net loss for the period	-		-	-	-	(1,098,787)		(1,098,787)
Balance, June 30, 2016	**181,917,013**	**$**	**56,458,786**	**78,000**	**8,152,372**	**(46,413,864)**	**$**	**18,275,294**

See accompanying notes to condensed interim financial statements.

WALLBRIDGE MINING COMPANY LIMITED

Condensed Interim Statements of Cash Flows
(expressed in Canadian Dollars)

(Unaudited)

		Six months ended June 30, 2017	2016
Cash flows used in operating activities:			
Net loss for the period	$	(427,876)	(1,098,787)
Adjustments for:			
Deferred tax expense (recovery)		147,000	(53,000)
Amortization of property and equipment		19,734	24,418
Other income relating to flow-through premium		(166,929)	-
Interest on debt		-	252
Interest on promissory note receivable		(29,311)	(28,026)
Gain on derivative contracts		-	(109,814)
Settlement of derivative contracts		-	249,814
Loss (gain) on disposition of assets		3,068	(54,662)
Share of losses of Carube Copper		83,539	55,433
Impairment (impairment reversal) of promissory note and receivable		(557,098)	23,197
Unrealized loss (gain) on marketable securities		18,473	(2,188)
Share based compensation		101,995	21,835
Deferred stock units		38,375	2,952
Cash received for interest on promissory note receivable		55,223	-
Closure Plan obligations		(36,786)	(9,710)
Changes in non-cash working capital:			
Amounts receivable		4,716	2,482,789
Deposits and prepaid expenses		78,376	355,148
Accounts payable and accrued liabilities		(111,954)	(3,579,691)
		(779,455)	(1,720,040)
Cash flows from financing activities:			
Issuance of share capital		1,977,104	585,000
Share issuance costs		(120,469)	(17,892)
Exercise of warrants		468,000	-
Interest paid on debt		-	(252)
Proceeds from sale of marketable securities		41,529	-
Payments on current debt		-	(10,227)
		2,366,164	556,629
Cash flows used in investing activities:			
Exploration and evaluation assets option payments received		162,000	135,000
Property and equipment purchases		(1,922)	-
Exploration and evaluation assets expenditures		(883,154)	(165,664)
Purchase of shares of Carube Copper Corp.		(64,000)	-
		(787,076)	(30,664)
Net increase (decrease) in cash and cash equivalents		799,633	(1,194,075)
Cash and cash equivalents, beginning of year		1,777,119	2,300,524
Cash and cash equivalents, end of period	$	2,576,752	1,106,449
Summary of non-cash transactions:			
Partial settlement of promissory note receivable with Carube Copper shares	$	250,000	-
Settlement of directors' fees owing with deferred stock units		86,375	86,500
Deposit on Fenelon Mine Property purchase - share issuance		-	200,000
Exploration expense recovery included in accounts receivable		-	100,000
Settlement of accounts payable with sale of equipment		-	54,662

See accompanying notes to condensed interim financial statements.

1. Nature of operations and going concern:

Wallbridge Mining Company Limited ("Wallbridge" or the "Company") is incorporated under the laws of Ontario and is engaged in the acquisition, discovery, development and production of metals focusing on gold, copper, nickel and platinum group metals. The Company completed operations at its first polymetallic mine, producing copper, platinum, palladium, and gold from the Broken Hammer open pit mine in Sudbury, Ontario on October 30, 2015. On October 18, 2016, the Company completed the purchase of the Fenelon Gold Property. A prefeasibility study was completed in 2017 with the permitting process ongoing with the goal of making a production decision in 2017. The Company's head office is located at 129 Fielding Road in Lively, Ontario.

These financial statements have been prepared on the going concern basis, which contemplates that the Company will be able to realize its assets and discharge liabilities in the normal course of business. There can be no assurance that the Company will either achieve or maintain profitability in the future. The Company has had recurring losses.

During the six months ended June 30, 2017 the Company had a net loss of $427,876, negative cash flow from operations of $779,455, and has working capital of $1,616,911 (December 31, 2016 - $1,201,278). The Company currently has insufficient cash to fund its planned operations for the next twelve months. The Company is actively monitoring its monthly forecasts and will reduce or defer costs where possible. In order to meet its planned activities, exploration and evaluation expenditures, the Company anticipates it will need to raise funds by the end of 2017. The Company is currently reviewing various financing options.

The continuation of the Company as a going concern is dependent on the Company's ability to successfully fund its cash obligations through financing. Although the Company has been successful in obtaining the necessary financing to date, there can be no assurance that adequate or sufficient financing will be available in the future, or available under terms acceptable to the Company, or the Company will be able to generate sufficient positive cash flow from operations. These circumstances indicate the existence of a material uncertainty which casts significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of the accounting principles applicable to a going concern.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the Company be unable to generate sufficient cash flow from operations or financing activities, the carrying value of the Company's assets could be subject to material adjustments and other adjustments may be necessary to these financial statements should such adverse events impair the Company's ability to continue as a going concern.

2. Basis of presentation:

(a) Statement of compliance:

These unaudited condensed interim financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting. These statements do not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2016.

(b) Judgments and estimates:

Preparing the interim financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these unaudited condensed interim financial statements, significant judgments made by Management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements for the year ended December 31, 2016.

(c) Functional and presentation currency:

These unaudited condensed interim financial statements are presented in Canadian dollars which is the Company's functional currency.

3. Significant accounting policies:

The accounting policies applied by the Company in these unaudited condensed interim financial statements are the same as those applied to the audited financial statements as at and for the year ended December 31, 2016.

New accounting standards not yet adopted:

(a) *IFRS 9 Financial Instruments* replaces the current standard IAS 39 Financial Instruments: Recognition and measurement, replacing the current classification and measurement criteria for financial asset and liabilities with only two classification categories: amortized cost and fair value. The effective date for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is in the process of evaluating the impact of the change to its financial statements, however, it has not yet determined the extent of the impact on its financial statements. The Company expects to report more detailed information, including estimated quantitative financial impacts, if material, in its financial statements as the effective date approaches.

3. Significant accounting policies (continued):

(b) *IFRS 15, Revenue from Contracts with Customers ("IFRS 15")* was issued to clarify the principles for recognizing 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 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company currently does not have operating revenue and therefore, there is no impact on its financial statements. The Company will assess the effect of this standard on the financial statements when it has operating revenue.

(c) *IFRS 16, Leases ("IFRS 16")* was issued in January 2016. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption, provided IFRS 15, has been applied, or is applied at the same date as IFRS 16. The Company is in the process of determining the impact of IFRS 16 on its financial statements.

(d) *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)* On June 20, 2016, the IASB issued amendments to IFRS 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight. The amendments provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to adopt the amendments to IFRS 2 in its financial statements for the annual period beginning on January 1, 2018. The Company is in the process of evaluating the impact of the change to its financial statements, however, it has not yet determined the extent of the impact on its financial statements. The Company expects to report more detailed information, including estimated quantitative financial impacts, if material, in its financial statements as the effective date approaches.

4. Investment in Carube Copper Corp. ("Carube Copper"):

	Number of shares	Amount
Investment in Carube Copper, January 1, 2015	10,894,732	$ 544,736
Share of Comprehensive losses of Carube Copper, December 1, 2015 to November 30, 2016		(166,515)
Balance, December 31, 2016	10,894,732	378,221
Share of comprehensive losses of Carube Copper, December 1, 2016 to May 31, 2017		(83,539)
Purchase of 800,000 shares of Carube Copper	800,000	64,000
Debt settlement of $250,000 (note 5)	2,173,913	250,000
	13,868,645	$ 608,682

At December 31, 2016, the Company held 10,894,732 shares and 1,525,000 warrants of Carube Copper. The warrants had an exercise price of $0.30 and expired unexercised on July 7, 2017. On March 1, 2017, the Company purchased 800,000 units at $0.08 per unit of Carube Copper as part of a private placement of 20,000,000 units. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the Company to purchase one common share for a period of twenty-four months from the closing date at a price of $0.15 per common share. In June 2017, the Company received 2,173,913 shares for settlement of $250,000 in debt (note 5). Carube Copper issued 1,516,931 shares for restricted stock units which vested in March and June 2017, completed a private placement of 13,000,000 units at $0.105 per unit on May 18, 2017 and issued 3,108,696 shares in settlements of debt in June 2017. At June 30, 2017, Wallbridge holds 13,868,645 shares representing 12.9% of the 107,752,208 shares of Carube Copper (December 31, 2016 – 15.5% of 61,688,433 shares).

At June 30, 2017, 3,622,500 shares (December 31, 2016 – 5,541,183) were held in escrow. Of the escrowed shares, 1,207,500 shares were released on July 7, 2017 with 1,207,500 to be released on January 7, 2018 and 1,207,500 shares on July 7, 2018.

5. Promissory Note Receivable from Carube Copper:

	Total Receivable	Impairment
Promissory note	$ 502,902	(502,902)
Accrued interest at 12% to December 31, 2016	45,344	(45,344)
Balance, December 31, 2016	$ 548,246	(548,246)
Accrued interest at 12% to June 30, 2017	29,311	-
Interest received, March 8, 2017	(55,223)	-
Reversal of impairment	-	548,246
Settlement of debt with shares	(250,000)	-
Balance, June 30, 2017	$ 272,334	-

On March 14, 2017, the Company amended the promissory note with Carube Copper to extend the repayment date from December 31, 2017 to December 31, 2019. In consideration for the extension of the repayment date, the Company has been granted a pre-emptive right with respect to any future financings of Carube Copper in order to maintain at all times a 15.5% equity interest in Carube Copper. The Company has also been given the right to convert any of the Carube Copper indebtedness at any time into common shares of Carube Copper at a price equal to the 4-day volume weighted average price, subject to regulatory approval. The Company reversed the impairment upon signing of the amended promissory note.

On June 13, 2017, the Company agreed to settle $250,000 of the debt by receiving 2,173,913 common shares of Carube valued at $0.115 per share. At June 30, 2017, Carube Copper owes $252,902 plus interest of $19,432 accrued at 12% per annum. Wallbridge retains the NSR royalty of 1.75% on the Salal and MacKenzie properties, subject to buyback provisions.

6. Exploration and evaluation assets:

Total exploration and evaluation expenditures are detailed as follows:

	Balance, December 31, 2016	Expenditures	Disposition/ Recovery	Balance, June 30, 2017
Fenelon Gold Property	$ 4,130,275	1,172,224	-	$ 5,302,499
Other Sudbury Projects	8,416,540	21,649	-	8,438,189
Parkin Properties (i)	3,952,505	158,000	(158,000)	3,952,505
North Range and Wisner Properties (ii)	3,944,587	11,308	(4,000)	3,951,895
	$ 20,443,907	1,363,181	(162,000)	$ 21,645,088

	Balance December 31, 2015	Expenditures	Disposition/ Recovery	Balance, December 31, 2016
Fenelon Gold Property	$ -	4,130,275	-	$ 4,130,275
Other Sudbury Projects	8,385,910	30,630	-	8,416,540
Parkin Properties (i)	4,043,195	135,310	(226,000)	3,952,505
North Range and Wisner Properties (ii)	3,929,691	53,333	(38,437)	3,944,587
	$ 16,358,796	4,349,548	(264,437)	$20,443,907

(i) *The recovery is part of the Parkin amendment to the North Range Joint Venture agreement.*

(ii) *Option payments received were for the properties in the Wisner amendment to the North Range Joint Venture agreement*.

At June 30, 2017, the Company has $1,026 (December 31, 2016 - $265,923) of restricted cash from the North Range Joint Venture partner.

7. Accounts payable and accrued liabilities:

	June 30, 2017	December 31, 2016
Accounts payable	$ 833,598	$ 577,040
Accrued liabilities	131,961	127,629
Payroll related liabilities	174,901	151,418
	$ 1,140,460	$ 856,087

At June 30, 2017 an amount of $40,000 (December 31, 2016 - $48,000) is owing to the directors of the Company for directors' fees. In January 2017, directors' fees owing of $48,000 from 2016 were settled with the issuance of 872,726 deferred stock units ("DSUs").

8. Long-term debt:

	Effective Interest Rate	Due Date	June 30, 2017	December 31, 2016
William Day Holdings Limited ("William Day")	18%	October 18, 2018	$ 2,404,126	$ 2,368,426

On April 18, 2017, the Company paid $187,500 for six months of interest in advance. The Company has recorded $117,794 of interest in prepaid expenses at June 30, 2017.

9. Related party transactions:

The Company had the following transactions with related parties:

	Three months ended June 30		Six months ended June 30	
	2017	2016	2017	2016
Nuinsco Resources Limited (i)				
Office and administrative expenses	$ -	6,000	-	12,000
Carube Copper Corp. (ii)				
Interest income on promissory note	(14,306)	(15,005)	(29,311)	(28,026)
Impairment expense (Reversal of impairment) of promissory note	-	15,005	(548,246)	23,197
Reversal of impairment of amounts receivable	-	-	(8,852)	-

(i) The Company and Nuinsco Resources Limited ("Nuinsco") have a director in common. For the three and six months ended June 30, 2016, the Company paid $2,000 per month to Nuinsco for use of office space, equipment, and office costs. Effective October 1, 2016, the Company is no longer using the office space, equipment or office costs from Nuinsco. These transactions were in the normal course of operations and were measured at the exchange amount of consideration established and agreed to by the related parties.

(ii) The Company owns 12.9% of Carube Copper (note 4) (December 31, 2016 – 15.5%). The Company provides office space and office costs to Carube Copper. At June 30, 2017, the Company has a balance of $nil receivable from Carube Copper (December 31, 2016 - $8,852). The Company also has a promissory note receivable from Carube Copper (note 5) with principal and interest owing of $272,334 (December 31, 2016 - $548,246). The Company recorded an impairment recovery of $557,098 of amounts receivable and promissory note for the six months ended June 30, 2017 ($23,197 expense in the six months ended June 30, 2016) and $nil for the three months ended June 30, 2017 ($2016 – expense of $15,005). The impairment charges were reversed upon receipt of an interest payment from Carube Copper in March 2017 and upon the amendment of the promissory note agreement (note 5). These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

10. Shareholders' equity:

(a) Share capital transactions:

	Number of shares	Share capital
Balance, December 31, 2016	221,739,013	$ 58,268,292
Private placement – flow-through shares (i)	5,300,000	450,500
Flow-through share premium (i)	-	(53,000)
Issuance costs allocated to shares (i)	-	(34,941)
Agent warrants (i)	-	(5,500)
Private placement – flow-through shares (ii)	7,500,000	1,050,000
Flow-through share premium (ii)	-	(300,000)
Issuance costs allocated to shares (ii)	-	(85,528)
Private placement – units (iii)	4,766,040	476,604
Warrants (iii)		(36,500)
Exercise of warrants (iv)	5,850,000	468,000
Vesting of RSUs (v)	652,537	60,302
Balance, June 30, 2017	245,807,590	$ 60,258,229

(i) On March 14, 2017, the Company completed a private placement totaling 5,300,000 flow-through shares at $0.085 per flow-through share for total gross proceeds of $450,500. Each flow-through share will be a common share in the capital of the Company that qualifies as a "flow-through share" within the meaning of the Income Tax Act (Canada) and the regulations thereunder. The proceeds from the sale of the flow-through shares will be used to incur eligible Canadian Exploration Expenses ("CEE") as defined by the Income Tax Act (Canada) in the province of Quebec on the Fenelon Gold Property. The Company also issued 306,000 agent's warrants in connection with the offering. Each agent's warrant entitles the holder thereof to acquire one common share of the Company at a price of $0.085 per share until March 10, 2018.

On issuance, the Company recorded a flow-through share premium and a corresponding deferred liability of $53,000. As flow-through expenditures were incurred, other income and a corresponding reduction of the deferred liability of $53,000 were recorded (note 12 (c)).

Share issuance costs of $34,941 for the private placement were charged as a reduction of share capital.

An amount of $5,500 has been assigned to the fair value of the agent's warrants (note 10 (c)) which has been included in the share issuance costs.

10. Shareholders' equity:

(a) Share capital transactions (continued):

(ii) On May 16, 2017, the Company completed a private placement totaling 7,500,000 flow-through shares at $0.14 per flow-through share for total gross proceeds of $1,050,000. Each flow-through share will be a common share in the capital of the Company that qualifies as a "flow-through share" within the meaning of the Income Tax Act (Canada) and the regulations thereunder. The proceeds from the sale of the flow-through shares will be used to incur eligible CEE as defined by the Income Tax Act (Canada) in the province of Quebec on the Fenelon Gold Property.

On issuance, the Company recorded a flow-through share premium and a corresponding deferred liability of $300,000. As flow-through expenditures were incurred, other income and a corresponding reduction of the deferred liability of $83,000 were recorded (note 12 (c)).

Share issuance costs of $85,528 for the private placement were charged as a reduction of share capital.

(iii) On June 15, 2017, the Company completed a private placement totaling 4,766,040 units issued at a price of $0.10 per unit for gross proceeds of $476,604. Each unit consists of one common share of the Company and a one-half common share purchase warrant. Each whole warrant will entitle the holder to acquire one additional common share for a period of twenty-four months from the date of issuance at an exercise price of $0.15.

An amount of $36,500 has been assigned to the fair value of the warrants.

(iv) On April 27, 2017, William Day announced that it acquired 5,000,000 common shares of the Company through the exercise of warrants at an exercise price of $0.08 per warrant for total consideration of $400,000. In addition to the exercise by William Day, all of the remaining 850,000 warrants issued in the April 29, 2016 private placement were exercised for $68,000.

(v) On January 10, 2017, 652,537 common shares were issued upon vesting of restricted share units that were granted on January 7, 2015 (note 10 (b)).

10. Shareholders' equity (continued):

(b) Share Based Compensation Plan:

The number of common shares reserved for the purpose of the omnibus share compensation based plan was 2,574,422 at June 30, 2017.

Restricted Share Units ("RSUs")

For the three months ended June 30, 2017 $14,219 (three months ended June 30, 2016 - $8,417) was recorded in share based compensation expense and for the six months ended June 30, 2017 $22,695 (2016 - $16,835) was recorded in share based compensation expense relating to RSUs.

On June 5, 2017, 812,500 RSUs were granted and vest in one year.

A summary of the outstanding RSUs are as follows:

	June 30, 2017	December 31, 2016
Outstanding at beginning of period	2,409,467	1,720,537
Granted	812,500	688,930
Vested and shares issued (note 10 (a) (v))	(652,537)	-
Outstanding at end of period	2,569,430	2,409,467

Deferred Share Units

In 2016, the directors agreed that DSUs will be granted in lieu of cash payment of fees and that the DSU calculation will not be based on a share price of less than $0.05, subject to review by the compensation committee from time to time.

In January 2017, a total of 872,726 DSUs were granted to the directors of the Company in settlement of directors' fees of $48,000 which were earned in 2016.

In May 2017, a total of 479,689 DSUs were granted to the directors of the Company in settlement of directors' fees of $38,375 which were earned for the period of January 1 to March 31, 2017.

At June 30, 2017, 8,278,926 DSUs are outstanding (December 31, 2016 – 6,926,511). In July 2017, a director received 1,365,065 shares upon retirement and vesting of the DSUs.

10. Shareholders' equity (continued):

(b) Share Based Compensation Plan:

Stock Options

A summary of the Company's stock options are as follows:

	June 30, 2017		December 31, 2016	
Stock Options	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, beginning of period	15,800,000	$0.09	15,200,000	$0.10
Granted	2,505,000	$0.09	1,900,000	$0.08
Expired unexercised	(3,500,000)	$0.17	(1,300,000)	$0.23
Outstanding, end of period	14,805,000	$0.08	15,800,000	$0.09

On June 5, 2017, a total of 2,355,000 stock options were granted at an exercise price of $0.085 which will expire on June 5, 2022 of which 1,177,500 vested immediately and 1,177,500 will vest on June 5, 2018. Also, on June 5, 2017, 150,000 stock options were granted at an exercise price of $0.10 which will expire on June 5, 2022 of which 75,000 will vest on December 5, 2017.

At June 30, 2017, 12,602,500 stock options were exercisable (December 31, 2016 - 14,850,000). The weighted average exercise price of options exercisable at June 30, 2017 is $0.073 per share (December 31, 2016 - $0.09). The weighted average remaining contractual life of stock options outstanding is 2.7 years (December 31, 2016 - 2.1 years).

For the three months ended June 30, 2017, $72,500 (2016 - $2,200) of expense relating to stock options was recorded in share based compensation. For the six months ended June 30, 2017, $79,300 (2016 - $5,000) of expense relating to stock options was recorded in share based compensation.

The fair value of stock options granted during the six months ended June 30, 2017 has been estimated using the Black-Scholes pricing model to be $118,000 (2016 - $55,300) or $0.05 per common share (2016 - $0.03 per common share).

10. Shareholders' equity (continued):

(b) Share Based Compensation Plan (continued):

The assumptions used in the pricing model are as follows:

	June 30, 2017	December 31, 2016
Estimated risk free interest rate	0.84%	0.65%
Expected life	3.8 years	4.2 years
Expected volatility *	78.1%	83.7%
Expected dividends	$Nil	$Nil
Forfeiture rate *	3.1%	3.1%

* The expected volatility used was based on the historical volatility of the Company's share price over a period equivalent to the expected life of the options prior to their grant date. The forfeiture rate is based on historical rate of forfeitures at the time of stock option grant.

The following table summarizes the stock options outstanding at June 30, 2017:

Exercise Price	Number	Exercisable	Expiry Date
0.13	100,000	100,000	February 1, 2018
0.095	3,605,000	3,605,000	March 31, 2018
0.065	2,120,000	2,120,000	December 18, 2018
0.10	200,000	200,000	May 5, 2019
0.08	200,000	200,000	June 11, 2019
0.05	2,150,000	2,150,000	January 8, 2020
0.05	2,025,000	2,025,000	December 30, 2020
0.08	1,900,000	950,000	November 7, 2021
0.10	150,000	75,000	June 5, 2022
0.085	2,355,000	1,177,500	June 5, 2022
Outstanding options	14,805,000	12,602,500	

10. Shareholders' equity (continued):

(c) Share purchase warrants:

Each warrant entitles the holder to purchase one common share.

At June 30, 2017, the Company has reserved shares for issuance as follows:

	June 30, 2017		December 31, 2016	
Warrants	Number	Average Price	Number	Average Price
Outstanding, beginning of period	45,410,837	$0.11	600,000	$0.15
Issued	2,689,020	$0.14	45,410,837	$0.11
Exercised	(5,850,000)	$.08	-	-
Expired unexercised	-	-	(600,000)	$0.15
Outstanding, end of period	42,249,857	$0.11	45,410,837	$0.11

In April 2017, 5,850,000 warrants were exercised for proceeds of $468,000 (note 10 (a)(iv)).

The fair value of the agent warrants issued was estimated using the Black-Scholes pricing model to be $5,500, $0.018 per warrant and the fair value of the warrants issued using the Black-Scholes method was $36,500, $0.015 per warrant using the following assumptions:

	June 30, 2017	December 31, 2016
Estimated risk free interest rate	0.64% to 0.91%	0.55% to 0.68%
Expected life	1 to 2 years	1 to 3 years
Expected volatility*	71.7% to 77.92%	73% to 98%
Expected dividends	$nil	$nil

* The expected volatility used was based on the historical volatility of the Company's share price over a period equivalent to the expected life of the warrants prior to their grant date.

The following table summarizes the warrants outstanding and exercisable at June 30, 2017:

Number	Exercise Price	Expiry Date
306,000	$0.085	March 10, 2018
2,383,020	$0.15	June 21, 2019
18,750,000	$0.10	August 19, 2019
449,247	$0.08	August 19, 2019
19,322,000	$0.12	October 4, 2019
1,039,590	$0.08	October 4, 2019
42,249,857		

11. Fair value of financial instruments:

Carrying values for cash and cash equivalents, restricted cash, amounts receivable, marketable securities, deposit from partner, and accounts payable and accrued liabilities approximate fair value due to their short term maturities and are classified as level 1.

The fair value of the loan owing to William Day is classified at Level 3 at $2,350,000 (2016 - $2,480,000). The fair value of debt is primarily determined using discounted cash flows at quoted market rates adjusted for credit risk.

12. Commitments and contingencies:

(a) The Company's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in each of the jurisdictions in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees.

The Company is not aware whether any provision for such costs is required and is unable to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

(b) At June 30, 2017, the Company has a one-year renewable letter of credit of $361,245 (December 31, 2016 - $361,245) pertaining to the closure plan for the Broken Hammer Project. At June 30, 2017, the estimated provision payable for the costs relating to the closure plan for the Broken Hammer Project is $309,074 (December 31, 2016 - $345,860).

	June 30, 2017	December 31, 2016
Provision for closure plan, beginning of year	$ 345,860	$ 333,691
Provision for additional closure plan expenditures	-	115,741
Closure plan expenditures	(36,786)	(103,572)
Balance owing	309,074	345,860
Current portion	(111,644)	(119,330)
Provision for closure plan, long term	$ 197,430	$ 226,530

12. Commitments and contingencies (continued):

The long term balance of $197,430 is expected to be spent between 2018 and 2020. The key assumptions applied for determination of the obligation were an inflation rate of 2% and a discount rate of 1.1 % to 1.7%.

The restricted cash of $386,245 relates to closure plan liabilities and property commitments (December 31, 2016 - $386,245).

(c) The Company was committed to spending prior to December 31, 2017, and has renounced effective December 31, 2016, qualifying CEE of $175,000. The Company has incurred the qualifying exploration expenditures in 2016 and 2017.

The Company is committed to spending prior to December 31, 2018, and renouncing effective December 31, 2017, qualifying CEE of $1,500,500. At June 30, 2017, the Company has approximately $744,200 remaining on its spending commitment.

In addition, the Company has provided an indemnification to subscribers of flow-through shares in an amount equal to the income tax that would be payable by subscribers in the event, and as a consequence, of the Company not incurring and renouncing qualifying CEE as required under the subscription agreement.

The Company recorded a deferred liability relating to the premium attributed to the proceeds received from the issuance of flow-through common shares. The details on the premium recorded and the other income recorded as a reduction of the deferred liability is as follows:

	June 30, 2017	December 31, 2016
Opening balance	$ 26,929	-
Other income recorded as flow-through expenditures incurred	(26,929)	-
Premium recorded through flow-through proceeds (note 10 (a) (i) and (ii))	353,000	78,750
Other income recorded as flow-through expenditures incurred	(140,000)	(51,821)
Ending balance	$ 213,000	26,929