MACDONALD MINES EXPLORATION LTD.

Condensed Interim Financial Statements

For the three months ended, March 31 2017 and March 31, 2016

(Expressed in Canadian Dollars)
(Unaudited)

Responsibility for these Unaudited Condensed Interim Financial Statements:

The accompanying unaudited condensed interim financial statements of MacDonald Mines Exploration Ltd. (the "Company") are the responsibility of the Board of Directors ("Board") and have been prepared by management, on behalf of the Board.

In management's opinion, these unaudited condensed interim financial statements are in full compliance with International Accounting Standard 34 - Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances. Management has established internal controls over the financial reporting process which are designed to provide reasonable, but not absolute, assurance that relevant and reliable financial information is prepared.

The auditors of the Company have not performed a review of these unaudited condensed interim financial statements.

MacDonald Mines Exploration Ltd.

Condensed Interim Statements of Financial Position

(Unaudited - Expressed in Canadian Dollars)

	March 31 2017	December 31 2016
Assets		
Current Assets		
Cash and cash equivalents (note 3)	**$ 757,356**	**$** 604,464
Accounts receivable and prepayments	**47,738**	13,810
Marketable securities (note 4)	**249,752**	481,123
	1,054,846	1,099,397
Non-Current Assets		
Equipment (note 6)	**36,627**	4,277
	$ **1,091,473**	$ 1,103,674
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (note 7 & 12)	$ **1,510,792**	$ 1,687,361
Deferred premium on flow through shares (note 13)	**55,896**	73,654
Short-term debt (note 7)	**53,125**	52,500
	1,619,813	1,813,515
Equity		
Capital stock (note 8)	**36,437,715**	35,383,153
Reserves (notes 9 & 10)	**20,873,132**	20,378,687
Deficit	**(57,839,187)**	(56,471,681)
	(528,340)	(709,841)
	$ **1,091,473**	$ 1,103,674

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

Nature of Business and Going Concern (Note 1)

Commitments (Note14)

MacDonald Mines Exploration Ltd.

Condensed Interim Statements of Operations and Comprehensive Loss

(Unaudited - Expressed in Canadian Dollars)

For the three months ended March 31,	**2017**	**2016**
Revenues	**$ -**	**$ -**
Expenses		
Property acquisition costs (note 5)	**944,250**	-
Exploration and evaluation (note 5)	**200,014**	
Professional fees	**60,325**	2,659
Consulting fees	**105,000**	-
General and administrative	**33,771**	6,095
Shareholder communication	**28,647**	676
Depreciation (note 6)	**6,341**	1,069
Investment loss	**3,744**	-
Deferred premium on flow through shares (note 13)	**(17,758)**	-
Provision for severance	**-**	40,000
Total expenses	**1,364,334**	50,499
Net income (loss) from operations	**(1,364,334)**	(50,499)
Other Income		
Sale of property	**-**	78,603
Loss on sale of marketable securities	**(3,172)**	-
	(3,172)	78,603
Net income (loss) for the period	**(1,367,506)**	28,104
Other Comprehensive Loss		
Unrealized (loss) gain on marketable securities	**(11,431)**	-
Total comprehensive income (loss) for the period	$ **(1,378,937)**	$ 28,104
Basic and diluted loss per share (note 11)	$ **(0.02)**	$ 0.00

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

MacDonald Mines Exploration Ltd.
Condensed Interim Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

For the three months ended March 31,	**2017**	**2016**
Cash Flows Provided By (Used in) Operating Activities		
Net income (loss) for the period	$ **(1,367,506)**	$ 28,104
Shares and warrants issued for properties	**944,250**	-
Shares issued for CEE indemnity	**12,360**	-
Investment loss on derivative warrant	**3,744**	-
Interest on short term loan	**625**	625
Depreciation	**6,341**	1,069
Loss on sale of marketable securities	**3,172**	-
Deferred premium on flow-through shares	**(17,758)**	-
Changes in non-cash working capital items:		
Change in accounts receivable and prepayments	**(33,928)**	(1,249)
Change in accounts payable and accrued liabilities	**(176,569)**	(24,668)
	(625,269)	3,881
Cash Flows Provided By (Used In) Financing Activities		
Private Placement	**684,420**	-
Cost of issue	**(80,593)**	-
	603,827	-
Cash Flows Provided By (Used In) Investing Activities		
Proceeds from sale of marketable securities	**213,025**	-
Purchase of equipment	**(38,691)**	-
Net cash provided by (used in) investing activities	**174,334**	-
Decrease in cash and cash equivalents	$ **152,892**	$ 3,881
Cash and cash equivalents, beginning of period	**604,464**	31,019
Cash and cash equivalents, end of period	$ **757,356**	$ 34,900

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

MacDonald Mines Exploration Ltd.

Condensed Interim Statement of Changes in Shareholders' Deficit

(Unaudited - Expressed in Canadian Dollars)

			----------------------Reserves----------------------				
	Number of Shares	Capital Stock	Contributed Surplus	Warrants	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2015	30,274,388	35,261,001	20,142,616	-	(11,001)	(56,906,637)	(1,514,021)
Net loss and comprehensive loss	-	-	-	-	-	28,104	28,104
Balance, March 31, 2016	30,274,388	35,261,001	20,142,616	-	(11,001)	(56,878,533)	(1,485,917)
Private placements	7,365,429	515,580	-	-	-	-	515,580
Fair value of flow-through premium	-	(73,654)	-	-	-	-	(73,654)
Cost of issue	-	(118,574)	-	45,872	-	-	(72,702)
Fair value of warrants issued	-	(201,200)	-	201,200	-	-	-
Net loss and comprehensive loss for the period	-	-	-	-	-	406,852	406,852
Balance, December 31, 2016	**37,639,817**	**$35,383,153**	**$20,142,616**	**$247,072**	**$(11,001)**	**$(56,471,681)**	**$(709,841)**
Private placements (note 8)	10,498,857	684,420	-	-	-	-	684,420
Cost of issue (note 8)	-	(80,593)	-	-	-	-	(80,593)
Fair value of warrants issued	-	(259,900)	-	259,900	-	-	-
Cost of issue for broker warrants	-	(106,725)	-	106,725	-	-	-
Shares issued for CEE indemnity	200,000	12,360	-	-	-	-	12,360
Shares issued for properties	11,500,000	805,000	-	-	-	-	805,000
Fair value of warrants issued for property	-	-	-	139,250	-	-	139,250
Net loss and comprehensive loss for the period	-	-	-	-	(11,430)	(1,367,506)	(1,378,936)
Balance, March 31, 2017	**59,838,674**	**$36,437,715**	**$20,142,616**	**$752,947**	**$(22,431)**	**$(57,839,187)**	**$(528,340)**

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

1. Nature of Operations and Going Concern

MacDonald Mines Exploration Ltd. (the "Company") is a publicly traded company actively engaged in the acquisition, exploration and development of mineral properties. The Company's registered office is Suite 1001, 145 Wellington Street West, Toronto, Ontario M5J 1H8. Since November 1, 2011, the Company is continued under the Canadian Business Corporations Act. Prior to November 1, 2011 the Company was continued under the Quebec Business Corporations Act (formerly, Part 1A of the Companies Act (Quebec)). The Company's Class A common shares are listed on the TSX Venture Exchange ("TSX-V") under the ticker symbol "BMK". The Company's functional and presentation currency is Canadian Dollars.

The accompanying condensed interim financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company is currently in the exploration stage and has not commenced commercial operations. As at March 31, 2017, the Company had a working capital deficit of $564,967 and a shareholder's equity accumulated deficit of $57,839,187. These conditions cast significant doubt about the Company's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations and fund its mining interest expenditures is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Theses condensed interim financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore need 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 financial statements.

2. Significant Accounting Policies

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance and comply with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") using accounting principles consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period. Furthermore, the information on accounting standards effective in future periods and not yet adopted remains unchanged from that disclosed in the annual financial statements.

(b) Basis of presentation

These condensed interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements for the year ended December 31, 2016. These condensed interim financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Significant accounting judgements and estimates

The preparation of these condensed interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods. Significant Accounting Judgments and Estimates and underlying assumptions are reviewed on an ongoing basis. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could have an effect on the amounts recognized in the condensed interim financial statements relate to the following:

(Unaudited - Expressed in Canadian Dollars)

2. Significant Accounting Policies - continued

(d) Going concern

The preparation of the condensed interim financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1 of the Financial Statements.

3. Cash and Cash Equivalents

As of March 31, 2017 the Company held $757,356 (December 31, 2016: $604,464) in cash and cash equivalents and estimates that its fair value approximates the carrying value.

4. Marketable Securities

The following is a summary of the Company's marketable securities:

	March 31 2017	**December 31** 2016
Equity securities	**249,752**	477,379
Share purchase warrants	**-**	3,744
	249,752	481,123

5. Mineral Properties and Exploration Costs

The Company has ownership interests in the several exploration projects. The Holdsworth property is the main focus of exploration.

The following table summarizes the cumulative exploration and evaluation expenditures the Company has incurred in its mineral properties.

	Holdsworth Property $	**Charlevoix Property $**	**Other Properties $**	**Total Properties $**
Balance - December 31, 2015	**-**	**-**	**33,724,467**	**33,724,467**
Disposal	**-**	**-**	**(24,120,374)**	**(24,120,374)**
Balance - December 31, 2016	**-**	**-**	**9,604,093**	**9,604,093**
Property Acquisition Costs	**314,250**	**630,000**	**-**	**944,250**
Exploration expenditures	**186,317**	**13,697**	**-**	**200,014**
Balance - March 31, 2017	**500,567**	**643,697**	**9,604,093**	**10,748,357**

5. Mineral Properties and Exploration Costs - continued

McFaulds Lake and Area Properties, James Bay Lowlands, Ontario, Canada
The Company has a 25% carried interest on 73 contiguous claims covering 17,690 hectares (known as "the Butler Property") and a 25% carried interest on 70 contiguous claims covering 15,830 hectares (known as "the Sanderson Property"). In addition, the Company has a 100% interest in 40 claims covering approximately 962 hectares, otherwise known as the Semple Baltic properties.

Holdsworth Property
On December 7, 2016 ("the "Effective Date"), the Company entered into an Option and Joint Venture ("JV") agreement ("the Option Agreement") with Noble Mineral Exploration Inc. ("Noble"), to advance exploration on Noble's Wawa-Holdsworth Gold and Silver Project ("the Project"), located 25 kilometres northeast of Wawa, Ontario. Subject to the terms and conditions of the Option Agreement, the Company will have the right to earn up to an undivided 75% interest in the Project, comprising of a first option to earn a 51% base interest and a second option to earn an additional 24% interest. The property covers 18 contiguous patented mining claims covering approximately 285 hectares.

To earn an initial 51% undivided interest ("the Base Interest") in the Wawa-Holdsworth Gold and Silver Project, the Company will issue 2,500,000 of its Class A Common Shares, issue 2,500,000 of its Warrants to Noble, and incur a minimum of $1,200,000 in expenditures in the 18-month period following the Effective Date. To earn the additional 24% undivided interest, the Company will incur a further $1,000,000 of expenditures on or before the second anniversary of the date the First Option is exercised and the Base Interest is earned, and make a payment of $100,000 to Noble.

The Agreement was subsequently amended as referred to in Note 16 under subsequent events.

On January 12, 2017, the Company issued 2,500,000 common shares and 2,500,000 warrants, allowing the Company to earn the initial 51% base interest in the Project.

In addition during the period ended March 31, 2017, the Company staked an additional 2 claims covering 84 hectares known as "the Holdsworth West property.

Charlevoix - Silica Property
On November 18, 2016, (the "Effective Date") the Company entered into a purchase agreement with 9019-5504 Quebec Inc. to acquire a 100% interest in certain 6 mining claims located in the Province of Quebec known as the Charlevoix Siliva Property. In consideration for the purchase of the mining claims, the Company issued 9,000,000 common shares on January 12, 2017 valued at $0.07 per share.

Bob Lake Property, Saskatchewan, Canada
The Company owns a 100% interest in 2 dispositions totalling 6,823 hectares in the Province of Saskatchewan.

(Unaudited - Expressed in Canadian Dollars

6. Equipment

	Cost	Accumulated Amortization	Net Book Value March 31 2017	Net Book Value December 31 2016
Exploration equipment	$ 83,739	$ 80,015	$ 3,724	$ 4,277
Vehicle	38,710	5,807	32,903	-
	$ 122,449	**$ 85,822**	**$ 36,627**	**$ 4,277**

7. Related Party Transactions and Balances

Related parties as defined by IAS 24 Related Party Disclosures include the members of the Board of Directors, key management personnel and any companies controlled by these individuals. Key management personnel include those persons having authority and responsibility for planning, directing and controlling activities of the Company as a whole. .

The following are the related party transactions for the three months ended March 31, 2017 and 2016:

(a) The Company incurred $42,000 (2016: $3,000) in salaries and administrative accounting fees to a director and a senior officer.
(b) The Company was charged $4,500 (2016: $Nil) in rent and other administrative services by a TSX-V listed company which is managed by common directors and senior officers of the Company.

As of March 31, 2017 the outstanding related party balances were:

(a) Included in accounts payable and accrued liabilities is $51,500 (2016: $47,000) related to rent payable to a company related by common management.
(b) The Company is indebted to a company related by common management in an amount of $50,000 in a form of a short-term loan. The loan is interest bearing at a rate of 5%, unsecured and due on demand. No amounts have been paid back as at March 31, 2017.
(c) The Company reached legal settlements with its former CEO and CFO, whereby a combined severance of $72,000 was awarded. This amount is included in accounts payable and accrued liabilities. The Company expensed these claims during the year ended December 31, 2016.

8. Capital Stock

Capital stock consists of an unlimited number of Class "A" common shares without par value. Issued shares are fully paid. All warrants and compensation options were valued using the Black-Scholes pricing model.

Capital Stock Activity

Year ended December 31, 2016
On December 30, 2016, the Company closed the first tranche of its non-brokered financing for total gross proceeds of $515,580 through the issuance of 7,365,429 flow-through units at a price of $0.07 per unit. Each flow-through unit consists of one flow-through share and one common share purchase warrant

Each whole warrant is exercisable for one share at a price of $0.10 per share for a period of three years from the date of issue. In connection with the offering, the Company paid $46,402 cash commission and issued 662,889 non-transferable compensation options entitling the holder to acquire one common share for a price of $0.10 per share with an expiry date of five years from date of issuance.

Year ending December 31, 2017
On January 27, 2017 the Company closed the second tranche of its non-brokered financing for total gross proceeds of $303,000 through the issuance of 5,050,000 units at a price of $0.06 per share. Each unit consists of one share and one common share purchase warrant. Each whole warrant is exercisable for one share at a price of $0.10 per share for a period of three years from the date of issue. In connection with this tranche of offering, the Company paid $13,500 cash commission and issued 450,000 non-transferable compensation options entitling the holder to acquire one common share for a price of $0.06 per share with an expiry date of five years from date of issuance.

On March 6 and 7, 2017, the Company closed the final tranche of its private placement offering, pursuant to which it issued a total of 2,842,858 flow through units at a price of $0.07 per unit and 2,605,999 non flow through units at a price of $0.07 per unit for gross proceeds of $381,420. Each flow through unit and each non flow through unit consists of one common share and one non flow through warrant. Each warrant is exercisable to acquire one common share at a price of $0.10 per share for a period of 36 months from issuance. In connection with the offering, the Company paid finders fees equal to 9% of the gross proceeds raised by the Company to investors introduced to the Company by such finders, or approximately $31,178 and has issued compensation options equal to 9% of the units sold to investors introduced to the Company by such finders, or 445,398 compensation options. Each compensation option is exercisable to acquire one non flow through unit at a price of $0.07 per unit for a period of five years from date of issuance.

Shares for Debt
The Company has settled or agree to settle certain of its flow-through mining expenditure obligations relating to its obligation to indemnify certain subscribers in respect of tax and penalties payable in connection with the reassessment of such purchasers' tax returns,

On February 14, 2017, the Company issued 200,000 common shares at a deemed price of $0.0618 per Common Share to settle the aggregate amount of the debt owed to such subscriber of $12,360.

On April 25, 2017, the Company entered into an agreement to settle $31,612 through the issuance of 154,206 common shares at a deemed price of $0.205 per share in connection with the above

(Unaudited - Expressed in Canadian Dollars)

8. Capital Stock - continued

Shares issued for properties

Charlevoix Silica Property
On November 22, 2016, the Company entered into an agreement to acquire 6 claims known as the "Charlevoix Silica Property" located approximately 42 kilometres north of Baie-Saint-Paul, on the north shore of the Saint Lawrence River, in the Province of Quebec. The consideration for the acquisition is the issuance of 9,000,000 common shares of the Company and the grant of a 2% net sales returns ("NSR") royalty to the property vendor, 9019-5504 Quebec Inc. 100% of the NSR may be bought back for $1,000,000. On January 12, 2017, the Company issued the 9,000,000 common shares and the transaction was completed.

Holdsworth Property
On January 12, 2017, the Company issued 2,500,000 units, with each unit comprising of one common share and one share purchase warrants in connection with the purchase of the Holdsworth Property.

9. Warrants

The following is a continuity schedule for each series of warrants outstanding as of March 31, 2017:

Expiry Date	Exercise Price ($)	Outstanding at December 31, 2016	Issued	Exercised	Expired/ Cancelled	Outstanding at March 31, 2017	Fair Values($)
December 30, 2019	0.10	-	7,365,429	-	-	7,365,429	201,200
December 30, 2021	0.10	-	662,889	-	-	662,889	45,872
January 12, 2010	0.15	-	2,500,000	-	-	2,500,000	139,250
January 21, 2020 (i)	0.10	-	5,050,000	-	-	5,050,000	125,400
January 21, 2022 (ii)	0.06	-	450,000	-	-	450,000	31,365
March 7, 2020 (i)	0.10	-	5,448,857	-	-	5,448,857	134,500
March 7, 2022 (ii)	0.07	-	445,398	-	-	445,398	75,360
		-	**21,922,573**	**-**	**-**	**21,922,573**	**$752,947**

(i) The relative fair value of the 5,050,000 warrants and 5,448,857 warrants issued in connection with the private placement on January 21, 2017 and March 7, 2017 has been estimated at 125,400 and $134,500 respectively using the Black Scholes model for pricing options under the following weighted average assumptions: risk free interest rate 0.38%; dividend yield - 0%; expected stock volatility 221%; and an expected life of 3 years.

(ii) The relative fair value of the 450,000 compensation warrants and 445,398 compensation warrants issued in connection with the private placement on January 21, 2017 and March 7, 2017 has been estimated at 31,365 and $71,360 respectively using the Black Scholes model for pricing options under the following weighted average assumptions: risk free interest rate 0.38%; dividend yield - 0%; expected stock volatility 245%; and an expected life of 5 years.

(Unaudited - Expressed in Canadian Dollars)

10. Stock Purchase Option Incentive Plan

The Company has a stock purchase option incentive plan (the "Plan") under which the directors may grant stock options to qualified directors, officers, consultants and affiliates. The maximum aggregate number of Class A Common Shares under option at any time cannot exceed 10% of the total issued number of shares. The exercise price of stock options is the greater of $0.10 and the closing price of the Company's shares on the trading day preceding the date of the option grant.

The following is a continuity schedule for each series of stock options outstanding at March 31, 2017:

Expiry Date	Exercise Price ($)	Outstanding at December 31, 2016	Granted	Exercised	Expired/ Cancelled	Outstanding at March 31, 2017	Fair Value($)
March 19, 2017	1.20	33,000	-	-	(33,000)	-	-
April 3, 2017	1.70	255,000	-	-	-	255,000	370,770
February 20, 2018	1.00	314,000	-	-	-	314,000	159,200
July 9, 2018	1.00	54,000	-	-	-	54,000	10,206
		656,000	**-**	**-**	**(33,000)**	**623,000**	$**540,176**

11. Loss Per Share

The following table sets out the computation for basic and diluted loss per share:

For the three months ended March 31,	2017	2016
Numerator: Net income (loss) attributable to common shareholders - basic and diluted	$ **(1,367,506)**	$ 28,104
Denominator: Weighted average number of common shares outstanding - basic and diluted	**58,913,864**	30,274,388
Basic and diluted income (loss) per share	$ **0.02**	$ 0.00

Stock options and warrants totaling 22,545,573 (2016: 10,865,000) were excluded from the computation of basic and diluted loss per share as the potential effect was anti-dilutive.

12. Flow Through Provision

During the year ended December 31, 2015, the Company underwent an audit conducted by the Canada Revenue Agency ("CRA") for the calendar years 2010 to 2013. As a result of the audit, CRA has made an adjustment to the amount of qualifying expenditures that were renounced to the Subscribers aggregating approximately $2,500,000. In addition, CRA has assessed additional Part XII.6 tax of approximately $250,000 to the Company in connection with the shortfall which has been paid.
Included in accounts payable and accrued liabilities as at March 31, 2017 is a provision of $1,112,186 (December 31, 2016: $1,400,000) representing the maximum amount of tax and penalties related to the 2013 shortfall in flow through eligible exploration expenditures.

13. Deferred Premium on Flow-Through Shares

The premium paid for flow-through shares in excess of the market value of the shares without the flow-through features is initially recognized as a liability. The liability is subsequently reduced and recorded in the statements of comprehensive loss on a pro-rata basis based on the corresponding eligible expenditures that have been incurred when it is the Company's intention to file the appropriate renunciation forms with the Canadian taxation authorities. Total premium liability of $73,654 was recognized in respect of the December 30, 2016 flow-through financing. As of March 31, 2017, the remaining deferred premium was $55,896 (December 31, 2016: $73,654).

14. Commitments

As of January 1, 2017, the Company is committed to a sublease of office space with a company related by common management for a monthly rental of approximately $1,500 per month in addition to other incidentals. The sublease agreement is for a term of seven (7) years from January 1, 2017 to December 31, 2023.

As described in Note 8, due to flow-through share private placements, the Company is required to spend and renounce $515,580 on Canadian Exploration Expenditures before December 31, 2017 and $199,000 before December 31, 2018.
Of these amounts $124,306 has been spent as at March 31, 2017.

15. Capital Management

The Company's capital is composed of share capital, reserves and deficit. The Company manages its capital within the following objectives:

(a) to ensure that there is sufficient financial flexibility to achieve the ongoing business objectives including ensuring that there is sufficient funds available, in order to support the acquisition, exploration and development of mineral properties; and
(b) to maximize shareholder return through enhancing shareholder value.

The Company's current properties are all at the exploration stage of development. The Company is dependent on external financing to fund its capital requirements. In order to carry out planned exploration and pay administrative costs, the Company will raise additional amounts as needed.

The Board does not establish quantitative return on capital criteria for management, rather it relies on the expertise of the Company's management to sustain future development. Management periodically reviews its capital management approach and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management for the three months ended March 31, 2017. The Company is not subject to externally imposed capital requirements.

16. Financial Risk Management

The Company's financial risk exposures and the impact on the Company's financial instruments are as follows:

(a) Credit risk:
The Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivable. The Company has no significant concentration of credit risk arising from financial instruments.
(b) Liquidity risk:
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2017, the Company has a working capital deficiency of $564,967 (December 31, 2016: $714,118). The Company had a cash balance of $757,356 (December 31, 2016: $604,464) to settle current financial liabilities of $1,619,813 (December 31, 2016: $1,813,515). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms, except short-term debt.

16. Financial Risk Management - continued

(c) Market risk:
Market risk is made up of interest rate risk, price risk and equity price risk.
Interest rate risk: The Company has cash balances and non-interest bearing debt, except short-term loans. The Company's current policy is to invest excess cash and cash equivalents in short-term money market investments issued by highly rated entities. The Company monitors the investments it makes and is satisfied with the credit ratings.
Price Risk: The Company is indirectly exposed to this risk through the price of precious metals. The Company monitors commodity prices to determine the appropriate course of action to be taken with respect to its mineral properties.
Equity Price Risk: This is defined as the potential adverse impact on the Company's earnings due to movements in individual equity movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action.

(d) Sensitivity Analysis:
Based on management's knowledge and experience of the financial markets, the Company believes that it is "reasonably possible" for the Company's marketable securities to move plus or minus 50%. If this were to happen, comprehensive income (loss) would be affected by approximately $124,876.

(e) Fair Value:
The carrying amount of accounts receivable and prepayments, accounts payable and accrued liabilities and short-term debt approximates their fair value because of the short-term maturities of these items.

17. Subsequent events

Acquisition of remaining 25% interest of the Holdsworth Property.
On December 7, 2016, (the "Effective Date") the Company entered into an option purchase agreement with Noble Mineral Exploration Inc. ("Noble") for 75% undivided interest of nineteen mineral claims covering approximately 285 hectares which together comprise the "Holdsworth Gold & Silver Project" (the "Mineral Properties") located in Corbiere and Esquega Townships in Norther Ontario. The Agreement was subsequently amended by a Binding Letter of Intent ("LOI) wherein the Company will acquire the remaining 25% interest in the Property as follows:

(a) Issue 5,500,000 Units of the Company with each unit comprising of one common share and one share purchase warrant. exercisable at $0.30 per share for a period of three years from date of issuance.
(b) Grant Noble a 1.5% net smelter return royalty (the "NSR") on the Holdsworth Property (and any other properties acquired within a 2 mile radius of the Property). The Company will have the right to re-purchase one half of the NSR for $500,000 at any time.
(c) Make a quarterly gold payment to Noble equal to 10% of the amount which is obtained by: (i) multiplying the production of gold from the Oxide Sands by the average gold price received during the quarter; and (ii) subtracting the sum of all deductions and any capital and operating costs being amortized over the life of the project, up to a maximum aggregate payment of 5,000 ounces of gold.

Upon the issuance of the shares and warrants to acquire the remaining interest as refer to above, the Company will own 100% of the Holdsworth Property. The subsequent amendment supersedes the previous option agreement, thereby eliminating any remaining terms from the original option agreement.

Grant of options
On May 8, 2017, the Company granted 3,466,500 share purchase options to Directors, officers, employees and consultants with an expiry date on May 8, 2022 at an exercise price of $0.175 per share.