



**LiCo Energy Metals Inc.**

**Interim Financial Statements**

**Quarter 1 – Three months ended 31 March 2017 and 2016**

(Expressed in Canadian dollars)

**LiCo Energy Metals Inc.**  
**Interim Statements of Financial Position**  
**31 March 2017 and 2016**  
**(Unaudited)**  
(Expressed in Canadian dollars)

	Notes	As at 31 March 2017	As at 31 December 2016 (Audited)
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	1,185,461	1,145,181
Amounts receivable		47,748	27,669
Prepaid expenses		89,690	169,919
		1,322,898	1,342,769
<b>Exploration and evaluation properties</b>	6	2,352,858	1,287,455
<b>Total assets</b>		3,675,756	2,630,224
<b>EQUITY (DEFICIENCY) AND LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	7	46,861	57,034
		46,861	57,037
<b>Equity (Deficiency)</b>			
Share capital	9	23,532,961	21,130,992
Contributed surplus	9	6,594,443	7,495,436
Deficit		(26,498,509)	(26,053,238)
<b>Total equity</b>		3,628,895	2,573,190
<b>Total equity and liabilities</b>		3,675,756	2,630,224

Nature of operations and going concern (Note 1), Commitments and contingencies (Note 15) and Subsequent events (Note 17)

**APPROVED BY THE BOARD:**

“Dwayne Melrose”  
Dwayne Melrose

“James Hellwarth”  
James Hellwarth

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

**LiCo Energy Metals Inc.**  
**Interim Statements of Loss and Comprehensive Loss**  
**For the three months ended 31 March 2017 and 2016**  
**(Unaudited)**  
(Expressed in Canadian dollars)

	Notes	Three months ended 31 March 2017	Three months ended 31 March 2016
		\$	\$
<b>Administration expenses</b>			
Consulting fees	8	121,680	18,107
Legal fees		10,958	-
Marketing and communications	8	255,160	2,500
Office expenses	8	12,750	2,102
Rent	8	4,500	1,500
Transfer agent and regulatory fees		20,178	5,200
Travel		19,044	-
<b>Loss before other items</b>		<b>(444,271)</b>	<b>(29,409)</b>
<b>Other income (expense)</b>			
Foreign exchange loss		(1,000)	-
<b>Net loss and comprehensive loss for the period</b>		<b>(445,271)</b>	<b>(29,409)</b>
<b>Loss per share</b>			
Basic and diluted	10	<b>(0.010)</b>	<b>(0.002)</b>

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**LiCo Energy Metals Inc.**  
**Interim Statements of Cash Flows**  
**For the three months ended 31 March 2017 and 2016**  
**(Unaudited)**  
(Expressed in Canadian dollars)

	Notes	Three months ended 31 March 2017	Three months ended 31 March 2016
		\$	\$
<b>OPERATING ACTIVITIES</b>			
Loss for the period		(445,271)	(29,409)
Adjustment for:			
Issuance of shares as finder's fee		-	52,500
Changes in operating working capital:			
Decrease (increase) in amounts receivable		(20,079)	(1,249)
Decrease (increase) in prepaid expenses		80,229	1,496
Increase (decrease) in trade and other payables		(10,173)	(26,405)
<b>Cash used in operating activities</b>		<b>(395,293)</b>	<b>(3,067)</b>
<b>INVESTING ACTIVITIES</b>			
Exploration and evaluation properties expenditures	6	(465,403)	-
<b>Cash from in investing activities</b>		<b>(465,403)</b>	<b>-</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from issuance of common shares, net	9	-	472,500
Exercise of warrants	9	894,976	-
Exercise of options	9	6,000	-
<b>Cash from financing activities</b>		<b>900,976</b>	<b>472,500</b>
<b>Increase in cash and cash equivalents</b>		<b>40,280</b>	<b>469,433</b>
Cash and cash equivalents, beginning of period		1,145,181	35,927
<b>Cash and cash equivalents, end of period</b>		<b>1,185,461</b>	<b>505,360</b>

**Supplemental cash flow information (Note 11)**

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

**LiCo Energy Metals Inc.**  
**Interim Statements of Changes in Equity (Deficiency)**  
**For the three months ended 31 March 2017 and 2016**  
**(Unaudited)**  
(Expressed in Canadian dollars)

	Number of common shares	Common shares	Contributed Surplus	Deficit	Total
		\$	\$	\$	\$
Balances, 31 December 2015	7,732,575	19,371,426	3,365,994	(22,777,109)	(39,689)
Shares issued for					
Cash	15,000,000	525,000	-	-	525,000
Finder's fees	1,500,000	52,500	-	-	52,500
Share-based payments	-	-	-	-	-
Value assigned to warrants	-	118,418	(118,418)	-	-
Share issue costs	-	(52,500)	-	-	(52,500)
Net loss for the period	-	-	-	(29,409)	(29,409)
<b>Balances, 31 March 2016</b>	<b>24,262,575</b>	<b>20,014,844</b>	<b>3,247,576</b>	<b>(22,806,518)</b>	<b>455,902</b>
Shares issued for					
Cash	41,545,363	2,269,077	-	-	2,269,077
Exercise of options	1,000,000	148,770	(88,770)	-	60,000
Exercise of warrants	6,750,000	666,495	(328,995)	-	337,500
Finder's fees	3,994,536	239,099	-	-	239,099
Exploration and evaluation properties	4,500,000	405,000	-	-	405,000
Share-based payments	-	-	1,099,333	-	1,099,333
Value assigned to warrants	-	(3,566,292)	3,566,292	-	-
Share issue costs	-	(291,599)	-	-	(291,599)
Loss on issuance of units	-	1,245,598	-	-	1,245,598
Net loss for the period	-	-	-	(3,276,129)	(3,276,129)
<b>Balances, 31 December 2016</b>	<b>82,022,474</b>	<b>21,130,992</b>	<b>7,495,436</b>	<b>(26,053,238)</b>	<b>2,573,190</b>
Shares issued for					
Cash	-	-	-	-	-
Exercise of options	100,000	12,000	(6,000)	-	6,000
Exercise of warrants	13,039,909	1,789,969	(894,993)	-	894,976
Finder's fees	-	-	-	-	-
Exploration and evaluation properties	4,000,000	600,000	-	-	600,000
Share-based payments	-	-	-	-	-
Net loss for the period	-	-	-	(445,271)	(445,271)
<b>Balances, 31 March 2017</b>	<b>99,162,383</b>	<b>23,532,961</b>	<b>6,594,443</b>	<b>(26,498,510)</b>	<b>3,628,894</b>

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

**LiCo Energy Metals Inc.**  
**Notes to the Interim Financial Statements**  
**For the three months ended 31 March 2017 and 2016**  
**(Unaudited)**  
(Expressed in Canadian dollars)

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

LiCo Energy Metals Inc. (the “Company”) was incorporated in Manitoba on 11 February 1998 and continued into British Columbia on 31 May 2016. The Company currently holds interests in exploration and evaluation properties in the province of Ontario, Canada, the state of Nevada, USA, and the Atacama Region of Chile. The Company is an exploration stage company which is engaged in the acquisition, exploration and development of energy metals projects. The Company is listed on the TSX Venture Exchange (“TSXV”) having the symbol LIC, as a Tier 2 mining issuer and is in the process of exploring its mineral properties.

The head office and principal address is located at Suite 1220, 789 West Pender Street, Vancouver, British Columbia, V6C 1H2.

**1.1 Going concern**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company had cash and cash equivalents of \$1,185,461 at 31 March 2017 (31 December 2016: \$1,145,187), but management cannot provide assurance that the Company will ultimately achieve profitable operations, or raise additional debt and/or equity capital.

The Company is in the process of exploring its mineral property interests and has not yet determined whether they contain mineral reserves that are economically recoverable. The Company’s continuing operations and the underlying value and recoverability of the amounts shown for mineral properties are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its mineral property interests, and on future profitable production from or proceeds from the disposition of its mineral property interests. These material uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.

These financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate and such adjustments could be material.

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**2. BASIS OF PREPARATION**

**2.1 Basis of presentation**

The financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value (Note 12).

The financial statements are presented in Canadian dollars, which is also the Company's functional currency, and all values are rounded to the nearest dollar.

**2.2 Statement of compliance**

The interim financial statements of the Company have been prepared in accordance with International Accounting Standards ("IAS") 34, 'Interim Financial Reporting' using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Change in accounting policy**

The IASB issued a number of new and revised International Accounting Standards ("IASs"), IFRSs, amendments and related International Financial Reporting Interpretations Committee ("IFRIC") interpretations which are effective for the Company's financial year beginning on 1 January 2017. For the purpose of preparing and presenting the financial statements, the Company has consistently adopted all these new standards for the period ended 31 March 2017.

*Amendments to IAS 1 Presentation of Financial Statements*

The amendments to IAS 1 are a part of a major initiative to improve disclosure requirements in IFRS financial statements. The amendments clarify the application of materiality to note disclosure and the presentation of line items in the primary statements provide options on the ordering of financial statements and additional guidance on the presentation of other comprehensive income related to equity accounted investments. The effective date for these amendments is 1 January 2017.

**3.2 Foreign currency transactions**

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into Canadian dollars by the use of the exchange rate in effect on that date. At the year-end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net income.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated.

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**3.3 Restricted cash**

The Company, from time to time, issues flow-through shares and renounces qualified exploration expenditures to the purchasers of such shares. Amounts renounced but not yet expended form the basis for the restricted cash.

**3.4 Revenue recognition**

The Company recognizes revenue in accordance with IAS 18 Revenue. Revenue is recognized when it is probable that any future economic benefit associated with the item of revenue will flow to the Company, and the amount of revenue can be measured with reliability. Outsourced exploration revenue is recognized on the accrual basis as services are provided in accordance with relevant agreements.

**3.5 Exploration and evaluation properties**

Following the acquisition of a legal right to explore a property, all direct costs related to the acquisition of the property are deferred until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Mineral property acquisition costs include cash consideration and the fair market value of common shares issued for mineral property interests based on the trading price of the shares. These costs will be amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned. Once commercial production has commenced, the net costs of the applicable property, will be charged to operations using the unit-of-production method based on reserves. Proceeds received from the sale of any interest in a property are first credited against the carrying value of the property, with any excess included in the statement of comprehensive loss for the period. On an ongoing basis, the Company evaluates each property based on results to date to determine the nature of exploration work that is warranted in the future. Impairment may occur in the carrying value of mineral interests when one of the following conditions exists:

- i) The Company's work program on a property has significantly changed, so that previously identified resource targets or work programs are no longer being pursued;
- ii) Exploration results are not promising and no more work is being planned in the foreseeable future; or
- iii) The remaining lease terms are insufficient to conduct necessary studies or exploration work.

Once impairment has been determined, the carrying value will be written-down to net recoverable amount. When the carrying value of the property exceeds its recoverable amount, which is the higher of the asset's fair value less costs to sell and value in use, the asset is written down accordingly. As a result, the direct costs related to the acquisition of mineral property interests in excess of estimated recoveries are written off to impairment of exploration and evaluation properties in the statement of comprehensive loss.



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The Company may occasionally enter into property option agreements, whereby the Company will transfer part of a mineral interest, as consideration for the incurring of certain exploration and evaluation expenditures by the optionee which would otherwise have been undertaken by the Company. The Company does not record any expenditures made by the optionee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the property, with any excess cash accounted for as a gain on disposal.

**3.6 Impairment of long-lived assets**

The recoverability of long-lived assets is assessed when an event occurs that indicates impairment. Recoverability is based on factors such as future asset utilization and the future discounted cash flows expected to result from the use or sale of the related assets. An impairment loss is recognized in the period when it is determined that the carrying amount of the asset will not be recoverable. At that time, the carrying amount is written down to the recoverable amount, which equals the higher of fair value less costs to sell and value in use. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

**3.7 Property and equipment**

*Recognition and measurement*

On initial recognition, property and equipment are valued at cost, being the purchase price and directly attributable costs of acquisition or construction required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including appropriate borrowing costs and the estimated present value of any future unavoidable costs of dismantling and removing items. Any corresponding liabilities are recorded as provisions.

Property and equipment are subsequently measured at cost less accumulated amortization, less any accumulated impairment losses, with the exception of land which is not amortized.

When major components of an item of equipment have different useful lives, they are accounted for as separate items of equipment.

*Subsequent costs*

The cost of replacing part of an item of property or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of equipment are recognized in profit or loss as incurred.

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*Major maintenance and repairs*

Maintenance and repair costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

*Gains and losses*

Gains and losses on disposal of property or equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized on a net basis within other income in profit or loss.

*Amortization*

Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Furniture and equipment	20% to 30%	declining balance method
Computer software	20%	straight-line method
Motor vehicles	25%	declining balance method

Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

**3.8 Financial instruments**

*Financial assets*

All financial instruments are required to be measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as at fair value through profit or loss, available for sale, held to maturity, loans and receivables, or financial liabilities measured at amortized cost. The classification depends on the purpose for which the instruments were acquired. Management determines the classification of financial instruments at initial recognition. Transactions to purchase or sell financial assets are recorded on the settlement date.

*Fair value through profit or loss*

Financial assets are classified as held for trading and are included in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives, other than those designated as effective hedging instruments, are also categorized as held for trading. These assets are carried at fair value with gains or losses recognized in profit or loss. Transaction costs associated with financial assets at FVTPL are expensed as incurred. Cash and cash equivalents and marketable securities are included in this category of financial assets.

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*Loans and receivables*

Held-to-maturity and loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in profit or loss when the financial asset classified in this category are derecognized or impaired, as well as through the amortization process. Transaction costs are included in the initial carrying amount of the asset. Amounts receivable are classified as loans and receivables.

*Impairment of financial assets*

Financial assets, other than financial assets at FVTPL, are assessed for indicators of impairment at each period end.

*Assets carried at amortized cost*

If there is objective evidence that an impairment loss on assets carried at amortized cost have been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

*Financial liabilities*

Financial liabilities are classified as financial liabilities at FVTPL, derivatives designated as hedging instruments in an effective hedge, or as financial liabilities measured at amortized cost, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

*Financial liabilities at FVTPL*

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated by management on initial recognition. Transaction costs on financial liabilities at FVTPL are expensed as incurred. These liabilities are carried at fair value with gains or losses recognized in profit or loss.

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*Financial liabilities measured at amortized cost*

All other financial liabilities are initially recognized at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest, other revenues and finance costs. Trade payables and due to related parties are included in this category of financial liabilities.

*Derecognition of financial instruments*

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire or when the Company transfers the rights to receive the cash flows from the assets in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. The Company derecognizes financial liabilities when its contractual obligations are discharged or cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

**3.9 Decommissioning, restoration and similar liabilities**

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of exploration and evaluation properties and retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future cost estimates arising from the decommissioning of plant, site restoration work and other similar retirement activities is added to the carrying amount of the related asset, and depreciated on the same basis as the related asset, along with a corresponding increase in the provision in the period incurred. Discount rates using a pre-tax rate that reflect the current market assessments of the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the provision.

**3.10 Income taxes**

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that they relate to items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect

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of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

### **3.11 Share capital**

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability. The Company's common shares, share warrants and options are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

### **3.12 Flow-through shares**

The Company, from time to time, issues flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through shares into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium reversal is recognized as a reduction in the deferred tax expense and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for qualifying Canadian resource property exploration expenditures, within the prescribed period. The portion of proceeds received but not yet expended at the end of the period is disclosed separately within restricted cash.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with Government of Canada income tax regulations. When applicable, this tax is accrued as a financial expense until paid.

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**3.13 Loss per share**

Basic loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive instruments were converted.

**3.14 Share-based payments**

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted.

Where the terms and conditions of options are modified before they vest, any increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares, in which case they are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, the shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

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**3.15 Standards, amendments and interpretations issued but not yet effective**

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been early adopted by the Company.

Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. The Company is evaluating the impact of these standards. Certain other new standards, amendments, and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

*IFRS 2 Share-based payment*

IFRS 2, Share-based payment, issued in June 2016, is amended to 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" 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 effect date for IFRS 2 is for annual periods beginning on or after 1 January 2018.

*IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement*

IFRS 9 amends the requirements for classification and measurement of financial assets, impairment, and hedge accounting. IFRS 9 introduces an expected loss model of impairment and retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss, and fair value through other comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The effective date for IFRS 9 is 1 January 2018.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 is based on the core principle to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 focuses on the transfer of control. IFRS 15 replaces all of the revenue guidance that previously existed in IFRSs. The effective date for IFRS 15 is 1 January 2018.

*IAS 7 Statement of Cash Flows*

The amendments, published on 29 January 2016, are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The effective date for IAS 7 is for annual periods beginning on or after 1 January 2017, with earlier application being permitted.

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*IAS 12 Income Taxes*

The amendments are intended to clarify criteria used to assess whether future taxable profits can be utilized against deductible temporary differences. The effective date for IAS 12 is for annual periods beginning on or after 1 January 2017.

*IAS 28 Investments in associates and joint ventures*

This is an amendment to sale or contribution of assets between an investor and its associate or joint venture. The effective date for IAS 28 is for annual periods beginning on or after a date to be determined by IASB. Earlier application is permitted.

*IFRIC 22 foreign Currency Transactions and Advance Consideration*

This interpretation clarifies when an entity recognizes a non-monetary asset or non-monetary liability arising from payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The effective date for IFRIC 22 is for annual periods beginning on or after 1 January 2018.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The Company makes estimates about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for decommissioning liabilities, the carrying value of exploration and evaluation properties, the valuation of all liability and equity instruments including warrants and stock options, the recoverability and measurement of deferred tax assets and liabilities and ability to continue as a going concern.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

*Exploration and evaluation expenditures*

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining the point at which a property has economically recoverable resources, in which case subsequent exploration costs and the costs incurred to develop the property are capitalized into development assets. The determination may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the year when new information becomes available.



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Determining whether to test for impairment of mineral exploration properties and deferred exploration assets requires management's judgment regarding the following factors, among others: the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amounts of the exploration assets are unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during the next period.

*Impairment of financial assets*

At each reporting date the Company assesses financial assets not carried at fair value through profit or loss to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that one or more events occurred during the period that negatively affected the estimated future cash flows of the financial asset.

Objective evidence that financial assets are impaired can include significant financial difficulty of the issuer or debtor, default or the disappearance of an active market for a security. If the Company determines that a financial asset is impaired, judgment is required in assessing the available information in regards to the amount of impairment; however the final outcome may be materially different than the amount recorded as a financial asset.

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**5. CASH AND CASH EQUIVALENTS**

The Company's cash and cash equivalents are denominated in the following currencies:

	<b>31 March 2017</b>	31 December 2016
	\$	\$
Denominated in Canadian dollars	<b>792,257</b>	1,019,873
Denominated in U.S. dollars	<b>393,204</b>	125,308
<b>Total cash and cash equivalents</b>	<b>1,185,461</b>	1,145,181

During the period ended 31 March 2016, the Company issued a total of Nil flow-through shares (31 December 2016: 10,000,000) for a total of \$Nil (31 December 2016 - \$600,000) (Note 9). As at 31 March 2016, the Company has \$531,681 (31 December 2016: \$585,064) remaining to be spent on qualifying Canadian exploration expenditures under the terms of the flow-through share agreements (Note 15).

**6. EXPLORATION AND EVALUATION PROPERTIES**

Title to exploration and evaluation properties involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyancing and historical characteristics of many exploration and evaluation properties. The Company has investigated title to all of its exploration and evaluation properties and, to the best of its knowledge, titles to all of its properties are in good standing.

# LiCo Energy Metals Inc.

## Notes to the Interim Financial Statements

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Exploration and evaluation properties includes the following amounts for the period ended 31 March 2017:

	<b>Teledyne Cobalt</b> \$	<b>Dixie Valley</b> \$	<b>Black Rock</b> \$	<b>Purickuta</b> \$	<b>Total</b> \$
<b>ACQUISITION COSTS</b>					
Balance, 1 January 2017	510,000	557,562	26,654	132,280	<b>1,226,496</b>
Additions	425,000	-	499,515	-	<b>924,515</b>
<b>Balance, 31 March 2017</b>	<b>935,000</b>	<b>557,562</b>	<b>526,169</b>	<b>132,280</b>	<b>2,151,011</b>
<b>EXPLORATION AND EVALUATION COSTS</b>					
Balance, 1 January 2017	14,936	1,420	17,721	26,882	<b>60,959</b>
Assaying	-	-	-	-	-
Engineering and consulting	6,550	2,746	5,702	3,485	<b>18,483</b>
Field expenses	1,733	-	1,197	74,375	<b>77,305</b>
Geological	45,100	-	-	-	<b>45,100</b>
<b>Balance, 31 March 2017</b>	<b>68,319</b>	<b>4,166</b>	<b>24,620</b>	<b>104,742</b>	<b>201,847</b>
<b>Total costs</b>	<b>1,003,319</b>	<b>561,728</b>	<b>550,789</b>	<b>237,022</b>	<b>2,352,858</b>

# LiCo Energy Metals Inc.

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Exploration and evaluation properties includes the following amounts for the period ended 31 December 2016:

	Teledyne Cobalt \$	Dixie Valley \$	Black Rock \$	Purickuta \$	Total \$
<b>ACQUISITION COSTS</b>					
Balance, 1 January 2016	-	-	-	-	-
Additions	510,000	557,562	26,654	132,280	1,226,496
Balance, 31 December 2016	510,000	557,562	26,654	132,280	1,226,496
<b>EXPLORATION AND EVALUATION COSTS</b>					
Balance, 1 January 2016	-	-	-	-	-
Assaying	-	992	5,257	-	6,249
Engineering and consulting	9,125	-	8,000	14,537	31,662
Field expenses	-	-	-	12,345	12,345
Metallurgical study	5,811	428	4,464	-	10,703
Balance, 31 December 2016	14,936	1,420	17,721	26,882	60,959
Total costs	524,936	558,982	44,375	159,162	1,287,455

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**Ontario:**

***Teledyne Cobalt Project:***

On 8 September 2016, the Company entered into an option agreement with Palisade Resources Corp. to acquire a 100% interest, in and to certain mineral claims located in Timiskaming, Ontario subject to a 2% net smelter return upon commencement of commercial production.

In order to earn the 100% interest in the mineral claims, the Company is required to issue shares and make payments as follows (Notes 9, 11 and 15):

		Payments	Shares
Upon signing (paid and issued)	1 <sup>st</sup> Option payment	\$200,000	2,500,000
On or before 8 March 2017 (paid and issued)	2 <sup>nd</sup> Option payment to earn 40% interest	\$50,000	2,500,000
On or before 8 September 2017	to earn additional 5% interest	\$50,000	500,000
On or before 8 March 2018	to earn additional 5% interest	\$50,000	500,000
On or before 8 September 2018	to earn additional 5% interest	\$50,000	500,000
On or before 8 March 2019	to earn additional 5% interest	\$50,000	500,000
On or before 8 September 2019	to earn additional 5% interest	\$50,000	500,000
On or before 8 March 2020	to earn additional 5% interest	\$50,000	500,000
On or before 8 September 2020	to earn additional 5% interest	\$50,000	500,000
On or before 8 March 2021	to earn additional 5% interest	\$50,000	500,000
On or before 8 September 2021	to earn additional 5% interest	\$50,000	500,000
On or before 8 March 2022	to earn additional 5% interest	\$50,000	500,000
On or before 8 September 2022	to earn additional 5% interest	\$50,000	500,000
On or before 8 March 2023	to earn additional 5% interest	\$50,000	500,000
	100% interest	850,000	11,000,000

***McVicar Lake:***

During the year ended 31 December 2015, an impairment of all previously capitalized costs relating to the McVicar property was recorded in the amount of \$20,189 (Note 11).

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**Nevada:**

***Dixie Valley, Churchill County, Nevada:***

On 14 July 2016, the Company entered into an option agreement with Nevada Energy Metals Inc. (“Nevada”) to acquire a 100% interest, subject to a 3% net smelter return, in 348 mineral claims located in Dixie Valley, Churchill County, Nevada. The option agreement is “non arms length” and is a related party transaction due to an officer and director in common between Nevada and the Company (Note 8). The TSX Venture Exchange approved the transaction on 10 August 2016. Pursuant to the terms of the option agreement, the Company has 36 months within which to exercise the option as follows (Notes 9, 11 and 15):

	<b>Cash Payment</b>	<b>Share issuances</b>	<b>Expenditures</b>
	USD\$		USD\$
Upon signing (paid)	20,000	-	-
Upon TSX Venture approval (paid and issued)	180,000	2,000,000	-
On or before 14 July 2017	-	2,000,000	-
On or before 14 July 2018	-	2,000,000	-
On or before 14 July 2019	-	-	1,250,000
	<b>200,000</b>	<b>6,000,000</b>	<b>1,250,000</b>

***Black Rock Desert, Nevada:***

On 10 November 2016, the Company entered into an option agreement with Nevada dated 10 November 2016 (the Agreement”), whereby the Company may earn an undivided 70% interest, subject to a 3% Net Smelter Return Royalty, in the existing Black Rock Desert Lithium Project that consists of 128 placer claims (2,560 acres/ 1,036 hectares) in southwest Black Rock Desert, Washoe County, Nevada, subject to TSX Venture Exchange approval. The option agreement is “non-arms’ length” and is a related party transaction due to an officer and director in common between Nevada and the Company (Note 8).

In order to earn the 70% interest in the mineral claims, the Company is required to issue shares and make payments as follows (Note 15):

	<b>Cash Payment</b>	<b>Share issuances</b>	<b>Expenditures</b>
	USD\$		USD\$
Upon signing (paid)	20,000	-	-
Upon TSX Venture approval (paid and issued)	150,000	1,500,000	-
On or before 10 November 2017	-	1,500,000	-
On or before 10 November 2018	-	1,500,000	-
On or before 10 November 2019	-	-	1,250,000
	<b>170,000</b>	<b>4,500,000</b>	<b>1,250,000</b>

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***Purickuta, Salar de Atacama, Chile:***

The Company entered into a letter of intent on 31 December 2016, and a formal agreement on 16 January 2017 (Note 17), with Durus Copper Chile, SPA, whereby the Company may earn an initial 50% interest in a property located in Atacama, Chile, and a potential additional 10% interest for an aggregate total of 60% interest in the property upon the formation of a joint venture subject to TSX Venture Exchange approval.

In order to earn the 50% interest in the mineral claims, the Company is required to issue shares and make payments as follows (Note 15):

	<b>Cash Payment</b>	<b>Share issuances</b>
	\$	
Upon signing of formal title opinion (paid)	100,000 USD	-
Upon TSX Venture approval (paid)	300,000 USD	5,000,000
6 months from date of TSX Venture approval	2,000,000 USD	-
12 months from date of TSX Venture approval	2,000,000 USD	-
18 months from date of TSX Venture approval	2,000,000 USD	-
Upon receipt of a special lithium operation contract	2,000,000 USD	-
	<b>8,400,000 USD</b>	<b>5,000,000</b>

**Manitoba:**

***Snow Lake Area properties:***

- i) Reed Lake: Comprised of a total of 4 claims (7.74 sq. km located in Snow Lake area), acquired by staking during 2007 and 2010. During the year ended December 31, 2015, the Company recorded an impairment for all previously capitalized costs on the property as no work on the property is planned in the foreseeable future (Note 11).

***Thompson Nickel Belt Property:***

- ii) Burntwood: Under terms of an agreement with Anglo American Exploration (Canada) Ltd. ("Anglo American") entered into during 2010, the Company had the option to acquire 27 claims (54.4 sq. km) in the Thompson Nickel Belt region. This agreement was amended in March 2014 to defer each future completion date by one year.

On March 31, 2015 the Company had not made the expenditures required under this agreement and the parties agreed to terminate the agreement. An impairment for all previously capitalized costs was recorded in the amount of \$2,801 (Note 11).

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**7. TRADE AND OTHER PAYABLES**

The Company's trade payables and accrued liabilities are principally comprised of amounts for administrative activities. These are broken down as follows:

	<b>31 March 2017</b>	31 December 2016
	\$	\$
Trade payables	<b>16,861</b>	15,123
Due to related parties (Note 8)	-	11,911
Accrued liabilities	<b>30,000</b>	30,000
<b>Total trade and other payables</b>	<b>46,861</b>	57,034

**8. RELATED PARTY TRANSACTIONS**

For the period ended 31 March 2017, the Company had transactions with the following companies related by way of directors, officers or shareholders in common:

- New Age Metals Inc. ("NAM"), a company with officers and directors in common with the Company. NAM shares the same office space with the Company.
- Xander Capital Partners ("Xander"), a company with a director in common with the Company. Xander provides consulting services on a month-to-month basis.
- Nevada Energy Metals Inc. ("NEM"), a company with a Chief Executive Officer in common with the Company. NEM shares the same office space with the Company.
- Nevada Energy Metals USA Inc. ("NEMU"), a company with a Chief Executive Officer in common with the Company. The Company has entered into various mineral property option agreements with NEMU (Note 6).

**8.1 Key management personnel compensation**

The remuneration of directors and other members of key management for the periods ended 31 March 2017 and 2016 are as follows:

	<b>2016</b>	2015
	\$	\$
Short-term benefits – consulting and marketing fees	<b>34,500</b>	-
Share-based payments	-	-
<b>Total key management personnel compensation</b>	<b>34,500</b>	-



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**8.2 Related party remuneration is summarized as follows:**

Related party expenses are summarized as follows:

	<b>31 March 2017</b>	31 March 2016
	\$	\$
Consulting fees to Chief Executive Officer (“CEO”)	<b>12,000</b>	-
Consulting fees to Chief Financial Officer (“CFO”)	<b>10,500</b>	-
Consulting fees to the Corporate Secretary	<b>12,000</b>	-
<b>Total related party expenses</b>	<b>34,500</b>	-

**8.3 Due from/to related parties**

The assets and liabilities of the Company include the following amounts due to related parties:

	<b>31 March 2017</b>	31 December 2016
	\$	\$
Nevada Energy Metals Inc.	-	11,911
<b>Total amount due to related parties (Note 7)</b>	-	11,911

**9. SHARE CAPITAL**

**9.1 Authorized share capital**

The Company has an authorized share capital of an unlimited number of common shares with no par value.

As at 31 March 2017, the Company had 99,162,383 common shares issued and outstanding (31 December 2016: 82,022,474).

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**9.2 Share issuance**

a) Private Placements

- On 16 September 2016, the Company issued 10,000,000 flow-through units at a price of \$0.060 per unit for cash proceeds of \$600,000. Each Unit is comprised of one flow-through common share of the Company and one warrant exercisable during the two years following the closing to purchase one additional non-flow through common share for \$0.08. The Company paid finder's fees of 970,000 non-flow through common shares and 560,000 share purchase warrants (Note 11). The Company recorded a loss of \$314,550 related to this issuance. As at December 31, 2016, the Company has \$585,064 (2015: \$Nil) remaining to be spent on qualifying Canadian exploration expenditures under the terms of the flow-through share agreements (Notes 5 and 15).
- On 22 July 2016, the Company issued 31,545,363 units at a price of \$0.055 per unit for cash proceeds of \$1,734,995. The Company paid finder's fees of 3,024,536 units (Note 11). Each Unit is comprised of one non flow-through common share of the Company and one warrant exercisable during the two years following the closing to purchase one additional non flow-through common share for \$0.075. The Company recorded a loss of \$518,548 related to this issuance.
- On 22 February 2016, the Company issued 15,000,000 units at a price of \$0.035 per unit for cash proceeds of \$525,000. Each Unit is comprised of one non flow-through common share of the Company and one warrant exercisable during the two years following the closing to purchase one additional non flow-through common share for \$0.05. The Company paid finder's fees of 1,500,000 non flow-through common shares and 750,000 share purchase warrants (Note 11). The Company recorded a loss of \$412,500 related to this issuance.

b) Other

- On 9 March 2017, the Company issued 2,500,000 common shares valued at \$375,000, pursuant to an option agreement to acquire 100% interest in the Teledyne Cobalt Project (Notes 6 and 11).
- On 9 January 2017, the Company issued 1,500,000 common shares valued at \$225,000, pursuant to an option agreement to acquire 70% interest in the Black Rock Desert Project (Notes 6 and 11).
- On 8 September 2016, the Company issued 2,500,000 common shares valued at \$225,000, pursuant to an option agreement to acquire 100% interest in the Teledyne Cobalt Project (Notes 6 and 11).
- On 10 August 2016, the Company issued 2,000,000 common shares valued at \$180,000, pursuant to an option agreement to acquire 100% interest in the Dixie Valley Project (Notes 6 and 11).

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c) Exercise of Warrants

- On 27 March 2017, the Company issued 900,000 common shares related to the exercise of 900,000 warrants at exercise prices of \$0.05 and \$0.075 per share.
- On 17 February 2017, the Company issued 3,289,000 common shares related to the exercise of 3,289,000 warrants at exercise prices of \$0.05, \$0.075 and \$0.08 per share.
- On 31 January 2017, the Company issued 8,850,909 common shares related to the exercise of 8,850,909 warrants at exercise prices of \$0.05 and \$0.075 per share.
- On 7 October 2016, the Company issued 6,350,000 common shares related to the exercise of 6,350,000 warrants at an exercise price of \$0.05 per share.
- On 30 August 2016, the Company issued 400,000 common shares related to the exercise of 400,000 warrants at an exercise price of \$0.05 per share.

d) Exercise of Options

- On 14 February 2017, the Company issued 100,000 common shares related to the exercise of 100,000 options at an exercise price of \$0.06 per share when the weighted average share price was \$0.14 per share.
- On 30 December 2016, the Company issued 1,000,000 common shares related to the exercise of 1,000,000 options at an exercise price of \$0.06 per share when the weighted average share price was \$0.21 per share.

**9.3 Stock option plan**

Effective 8 August 2016, the Company has adopted a stock option plan whereby it is authorized to grant options to executive officers and directors, employees and/or consultants enabling them to acquire up to 20% of the issued and outstanding common stock of the Company. The aggregate maximum number of common shares issuable under the plan is 11,760,494 common shares. The aggregate number of options granted to one optionee in a 12-month period is limited to 5% of the issued common shares of the Company.

The exercise price of any options granted under the plan will be determined by the Board of Directors, at its sole discretion, but shall not be less than the last closing price of the Company's common shares on the day before the date on which the Directors grant such options.

The following is a summary of the changes in the Company's stock option activities for the period ended 31 March 2017 and the year 31 December 2016:

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	31 March 2017		31 December 2016	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
Outstanding, beginning of period	9,500,000	\$ 0.06	197,500	\$ 0.61
Granted	-	-	10,500,000	0.06
Exercised	(100,000)	0.06	(1,000,000)	0.06
Expired	-	-	-	-
Cancelled	(500,000)	0.06	(197,500)	0.61
<b>Outstanding, end of period</b>	<b>8,900,000</b>	<b>0.06</b>	<b>9,500,000</b>	<b>0.06</b>
<b>Exercisable, end of period</b>	<b>8,900,000</b>	<b>0.06</b>	<b>9,500,000</b>	<b>0.06</b>

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The following table summarizes information regarding stock options outstanding and exercisable as at 31 March 2017:

<b>Exercise price</b>	<b>Number of options outstanding</b>	<b>Number of options exercisable</b>	<b>Weighted-average remaining contractual life (years)</b>	<b>Weighted-average exercise price</b>
<b>Options</b>				
\$0.11	1,000,000	1,000,000	5.0	0.11
\$0.06	7,900,000	7,900,000	4.7	0.06
<b>Total</b>	<b>8,900,000</b>	<b>8,900,000</b>	<b>4.72</b>	<b>0.06</b>

The weighted average fair value of the options granted during the period ended 31 March 2017 was estimated at \$Nil per option (31 December 2016: \$0.09) at the grant date using the Black-Scholes Option Pricing Model. The weighted average assumptions used for the calculation were:

	<b>31 March 2017</b>	31 December 2016
Risk free interest rate	-	0.72%
Expected life	-	5 years
Expected volatility	-	212.82%
Expected dividend per share	-	-

#### 9.4 Share-based payments

Share-based payments for the following options granted by the Company will be amortized over the vesting period, of which \$980,915 was recognized in the year ended 31 December 2016 (2015 - \$Nil):

<b>Grant date of stock options</b>	<b>Fair value of options granted</b>	<b>Amount vested for period ended 31 March 2017</b>	<b>Amount vested for period ended 31 March 2016</b>
	\$	\$	\$
8 September 2016	843,315	-	-
29 December 2016	137,600	-	-
<b>Total</b>		<b>-</b>	<b>-</b>

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**9.5 Share purchase warrants**

The following is a summary of the changes in the Company's share purchase warrants for the period ended 31 March 2017 and year 31 December 2016:

	31 March 2017		31 December 2015	
	Number of warrants	Weighted-average exercise price	Number of warrants	Weighted-average exercise price
Outstanding, beginning of year	54,129,899	\$ 0.07	-	\$ -
Granted	-	-	60,879,899	0.07
Exercised	(13,039,909)	0.07	(6,750,000)	0.05
Expired	-	-	-	-
Forfeited	-	-	-	-
<b>Outstanding, end of period</b>	<b>41,089,990</b>	<b>0.07</b>	54,129,899	0.07

During the period ended 31 March 2017, in conjunction with the private placements, the Company issued a total of Nil (31 December 2016 – 60,879,899) share purchase warrants.

The weighted average fair value of the warrants granted during the period ended 31 March 2017 was estimated at \$Nil per warrant (31 December 2016 - \$0.06) at the grant date using the Black-Scholes Pricing Model. The weighted average assumptions used for the calculation were:

	31 March 2017	31 December 2016
Risk free interest rate	-	0.54%
Expected life	-	2 years
Expected volatility	-	190.39%
Expected dividend per share	-	-

The following table summarizes information regarding share purchase warrants outstanding and exercisable as at 31 March 2017:

Exercise price	Number of warrants outstanding	Weighted-average remaining contractual life (years)	Weighted-average exercise price
<b>Share purchase warrants</b>			
\$0.05	5,810,000	1.15	\$0.05
\$0.075	25,069,990	1.56	\$0.075
\$0.08	10,210,000	1.71	\$0.08
<b>Total</b>	<b>41,089,990</b>	<b>1.52</b>	<b>\$0.07</b>

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**10. LOSS PER SHARE**

The calculation of basic and diluted loss per share is based on the following data:

	<b>31 March 2017</b>	31 March 2016
Net loss for the period	<b>\$ (445,271)</b>	\$ (29,409)
Weighted average number of shares – basic and diluted	<b>92,197,884</b>	14,273,181
<b>Loss per share, basic and diluted</b>	<b>\$ (0.010)</b>	\$ (0.002)

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, share purchase warrants and convertible debentures, in the weighted average number of common shares outstanding during the period, if dilutive. All of the stock options and agent compensation warrants were anti-dilutive for the periods ended 31 March 2017 and 2016.

**11. SUPPLEMENTAL CASH FLOW INFORMATION**

The Company made the following cash payments for interest and income taxes:

<b>Year ended 31 March</b>	<b>2017</b>	2016
	<b>\$</b>	\$
Interest paid	-	-
Taxes paid	-	-
<b>Total cash payments</b>	<b>-</b>	-

The Company incurred the following non-cash investing and financing transactions:

During the period ended 31 March 2017, the Company made certain options payments by issuance of shares with respect to exploration and evaluation properties (Notes 6 and 9).

During the previous year ended 31 December 2016, the Company recorded a write down of \$Nil (2015 - \$128,954) with respect to exploration and evaluation properties (Note 6).

During the previous year ended 31 December 2016, the Company made certain options payments by issuance of shares with respect to exploration and evaluation properties (Notes 6 and 9).

During the previous year ended 31 December 2016, the Company paid finder's fees on private placements by issuance of shares, share purchase warrants and units (Note 9).

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**12. FINANCIAL INSTRUMENTS**

**12.1 Categories of financial instruments**

	<b>31 March 2017</b>	31 December 2016
<b>FINANCIAL ASSETS</b>	<b>\$</b>	<b>\$</b>
<b>FVTPL, at fair value</b>		
Cash and cash equivalents	<b>1,185,461</b>	1,145,181
<b>Total financial assets</b>	<b>1,185,461</b>	1,145,181
<b>FINANCIAL LIABILITIES</b>		
<b>Other liabilities, at amortized cost</b>		
Trade payables	<b>16,861</b>	27,034
<b>Total financial liabilities</b>	<b>16,861</b>	27,034

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

**12.2 General Objectives, Policies and Processes**

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board of Directors is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.



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**12.3 Market Risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of two types of risk: interest rate risk and equity price risk.

**12.4 Interest Rate Risk**

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with chartered Canadian financial institutions.

**12.5 Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash. The Company limits exposure to credit risk by maintaining its cash with large financial institutions. The Company's credit risk is also attributable to its receivables. The amounts disclosed in the statement of financial position are net of allowances for bad debts, estimated by the Company's management based on prior experience their assessment of the current economic environment and the financial condition of the Company's debtors.

**12.6 Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages liquidity risk by maintaining adequate cash and restricted cash balances. The Company continuously monitors both actual and forecasted cash flows and matches the maturity profile of financial assets and liabilities.

As at 31 March 2017, the Company had a cash balance of \$1,185,461 (31 December 2016: \$1,145,181) and gross receivables of \$47,748 (31 December 2016: \$27,669) to settle current liabilities due in twelve months or less of \$46,861 (31 December 2016: \$57,034) and carry out its planned exploration program in the coming year. Management seeks additional financing through the issuance of equity instruments and liquidation of its marketable securities, either partial or in full, to continue its operations, 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.

**12.7 Currency Risk**

The Company is exposed to currency risk by incurring certain expenditures and holding assets denominated in currencies other than the Canadian dollar. The Company does not use derivative instruments to reduce its currency risk. Assuming all other variables remain constant, a 1% change in the Canadian dollar against the US dollar would not result in a significant change to the Company's operations.

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**12.8 Determination of Fair Value**

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The carrying amounts for cash, receivables, marketable securities, accounts payable and accrued liabilities approximate fair value due to their short-term nature and the fair value of long-term receivable is approximated by applying the effective interest method. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

**13. CAPITAL DISCLOSURES**

The Company's objectives when managing capital are to maintain an appropriate capital base in order to:

1. advance the Company's corporate strategies to create long-term value for its stakeholders;
2. sustain the Company's operations and growth throughout metals and materials cycles; and
3. ensure compliance with the covenants of any applicable credit facility and other financing facilities used from time to time.

The Company monitors its capital and capital structure on an ongoing basis to ensure it is sufficient to achieve the Company's short-term and long-term strategic objectives. Management primarily funds the Company's exploration by issuing share capital, rather than using other capital sources that require fixed repayments of principal and interest. Management closely watches its cash balance. The balance of cash as at 31 March 2017 was \$1,185,461 (31 December 2016: \$1,145,181). The Company does not currently have significant debt outstanding and there are presently no formal capital requirements with which the Company has not complied.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the period ended 31 March 2017.

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**14. COMMITMENTS AND CONTINGENCIES**

- a) As at 31 March 2017, the Company has \$531,681 (31 December 2016 - \$585,064) remaining to be spent on qualifying Canadian exploration expenditures under the terms of the flow-through share agreements (Notes 5 and 9).
- b) The Company has indemnified the subscribers of flow-through shares of the Company issued in prior years against any tax related amounts that may become payable as a result of the Company not making eligible expenditures.
- c) The Company's exploration and evaluation activities are subject to various Canadian federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.
- d) As at 31 March 2017, the Company owns various exploration and evaluation properties (Note 6). Management does not consider that any amounts related to decommissioning liabilities are payable although there is no assurance that a formal claim will not be made against the Company for some or all of these obligations in the future.

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**15. SEGMENTED INFORMATION**

The Company's only business activity is exploration and development of exploration and evaluation properties carried out Canada, USA and Chile

The breakdown of geographic area for the year ended 31 March 2017 is as follows:

<b>31 March 2017</b>	<b>Canada</b>	<b>USA</b>	<b>Chile</b>	<b>Total</b>
<b>Total expenses</b>	445,271	-	-	445,271
Current assets	1,322,898	-	-	1,322,898
Exploration and evaluation properties	1,003,319	28,786	104,742	2,352,858
<b>Total assets</b>	<b>2,326,217</b>	<b>28,786</b>	<b>104,742</b>	<b>3,675,756</b>

The breakdown of geographic area for the year ended 31 December 2016 is as follows:

<b>Year ended 31 December 2016</b>	<b>Canada</b>	<b>USA</b>	<b>Chile</b>	<b>Total</b>
<b>Total expenses</b>	3,276,129	-	-	3,276,129
Current assets	1,342,769	-	-	1,342,769
Exploration and evaluation properties	524,936	603,357	159,162	1,287,455
<b>Total assets</b>	<b>1,867,705</b>	<b>603,357</b>	<b>159,162</b>	<b>2,630,224</b>

**16. SUBSEQUENT EVENTS**

- a) On 3 April 2017, the Company issued 5,000,000 shares and 1,320,000 shares as finder's fees pursuant to an option agreement related to the Purickuta property.
- b) Subsequent to the period ended 31 March 2017, the Company issued 900,000 common shares related to the exercise of 900,000 warrants at exercise prices of \$0.05 and \$0.075 per share.
- c) Subsequent to the period ended 31 March 2017, the Company issued 300,000 common shares related to the exercise of 300,000 options at exercise price of \$0.06 per share.
- d) On 23 May 2017, the Company announced a non-brokered private placement of 4,583,334 units at \$0.12 per unit for gross proceeds of \$550,000. Each Unit consists of one share and one warrant. Each warrant entitles the holder to purchase an additional share for two years from closing at \$0.14 per share, subject to Exchange approval.

**17. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements of the Company for the period ended 31 March 2017 were approved and authorized for issue by the Board of Directors on 24 May 2017.