



# **FIRST COBALT CORP.**

**(FORMERLY AURGENT RESOURCE CORP.)**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

**(EXPRESSED IN CANADIAN DOLLARS)**

## Independent Auditors' Report

To the Shareholders of  
First Cobalt Corp. (formerly Aurgent Resource Corp.):

We have audited the accompanying consolidated financial statements of First Cobalt Corp. (formerly Aurgent Resource Corp.), which comprise the consolidated statements of financial position as at March 31, 2017 and March 31, 2016, and the consolidated statements of loss and comprehensive loss, shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of First Cobalt Corp. (formerly Aurgent Resource Corp.) as at March 31, 2017 and March 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 of these consolidated financial statements, which states that First Cobalt Corp. (formerly Aurgent Resource Corp.) incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of First Cobalt Corp. (formerly Aurgent Resource Corp.) to continue as a going concern.

Vancouver, British Columbia

July 25, 2017



Chartered Professional Accountants

**FIRST COBALT CORP. (FORMERLY AURGENT RESOURCE CORP.)**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2017 AND 2016**

*(expressed in Canadian Dollars)*

	<b>MARCH 31, 2017</b>	<b>MARCH 31, 2016</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 5,340,136	\$ 3,815
Prepaid expenses and deposits (Note 6)	292,540	-
Receivables (Note 5)	467,880	2,637
	6,100,556	6,452
<b>Non-Current Assets</b>		
Exploration and evaluation asset (Note 7)	2,185,058	328,274
<b>Total Assets</b>	<b>\$ 8,285,614</b>	<b>\$ 334,726</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 363,633	\$ 230,479
Due to related party (Note 19)	36,064	133,785
Loan payable (Note 9)	-	31,270
	399,697	393,534
<b>Total Liabilities</b>	<b>\$ 399,697</b>	<b>\$ 393,534</b>
<b>Shareholders' Equity</b>		
Common shares (Note 10)	10,360,835	1,628,749
Subscriptions received in advance	-	12,500
Reserve (Note 11 and 12)	1,677,704	200,000
Deficit	(4,152,622)	(1,902,057)
	\$ 7,885,917	\$ (60,808)
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 8,285,614</b>	<b>\$ 334,726</b>

Nature and continuance of operations (Note 1)  
Subsequent events (Note 20)

**Approved on behalf of the Board of Directors and  
authorized for issue on July 25, 2017**

/s/ Jeff Swinoga  
Jeff Swinoga, Director

/s/ Trent Mell  
Trent Mell, Director

**FIRST COBALT CORP. (FORMERLY AURGENT RESOURCE CORP.)**  
**CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
**FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

*(expressed in Canadian Dollars)*

	<b>MARCH 31, 2017</b>	<b>MARCH 31, 2016</b>
<b>OPERATING EXPENSES</b>		
Consulting and management fees	\$ 336,676	\$ 33,600
Exploration and evaluation expenditures	12,700	-
General and administrative	122,381	43,505
Professional fees	106,834	10,840
Investor relations	629,208	-
Share-based payments (Note 12)	1,013,473	-
Travel and Entertainment	19,679	-
<b>Operating Expenses</b>	<b>(2,240,951)</b>	<b>(87,945)</b>
<b>OTHER</b>		
Foreign exchange gain	1,823	-
Interest expense	(1,169)	-
Write-off of exploration and evaluation assets (Note 7)	(118,179)	(60,000)
Write off of debt	104,966	-
Other non-operating income	2,945	-
<b>Loss Before Income Tax</b>	<b>(2,250,565)</b>	<b>(147,945)</b>
<b>Income Tax Expense</b> (Note 13)	<b>-</b>	<b>-</b>
<b>Net Loss and Comprehensive Loss</b>	<b>\$ (2,250,565)</b>	<b>\$ (147,945)</b>
<b>Basic and diluted loss per share</b>	<b>\$(0.14)</b>	<b>\$(0.03)</b>
<b>Weighted average number of shares outstanding (basic and diluted)</b> (Note 14)	<b>16,416,339</b>	<b>4,757,750</b>

The accompanying notes are integral to these consolidated financial statements

**FIRST COBALT CORP. (FORMERLY AURGENT RESOURCE CORP.)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

*(expressed in Canadian Dollars)*

	<b>MARCH 31, 2017</b>	<b>MARCH 31, 2016</b>
<b>Cash Flows used in Operating Activities</b>		
Net loss	\$ (2,250,565)	\$ (147,945)
Adjustments for items not affecting cash		
Write-off exploration and evaluation assets	118,179	60,000
Write-off of debt	104,966	
Share-based payments	1,013,473	-
	(1,013,947)	(87,945)
Changes in non-cash working capital		
Decrease (Increase) in receivables	(30,243)	1,637
Decrease (Increase) in prepaid and other current assets	(192,540)	-
Increase (Decrease) in accounts payable and accrued liabilities	(56,812)	91,950
Increase (Decrease) in loan payable	(31,270)	20,811
Increase (Decrease) in due to related party	(97,721)	1,285
	(1,422,533)	27,738
<b>Cash Flows used in Investing Activities</b>		
Acquisition of exploration and evaluation asset, net of cash (Note 7)	(164,963)	(18,000)
Acquisition of Cobalt Projects International	(535,000)	-
	(699,963)	(18,000)
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of common shares	7,449,000	-
Proceeds from exercise of warrants	145,000	-
Subscriptions received in advance	-	(12,500)
Share issuance costs	(135,183)	-
	7,458,817	(12,500)
<b>Changes in cash during the year</b>	<b>5,336,321</b>	<b>(2,762)</b>
<b>Cash – Beginning of the year</b>	<b>\$ 3,815</b>	<b>\$ 6,577</b>
<b>Cash – End of the year</b>	<b>\$ 5,340,136</b>	<b>\$ 3,815</b>

**Supplemental Information** (Note 17)

**FIRST COBALT CORP. (FORMERLY AURGENT RESOURCE CORP.)**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

*(Expressed in Canadian Dollars, except per share amounts)*

	<b>Common Shares</b>		<b>Reserves</b>	<b>Deficit</b>	<b>Total</b>
	<b>Number of Shares</b>	<b>Amount</b>			
<b>Balance – March 31, 2016</b>	4,757,750	\$ 1,641,249	\$ 200,000	\$ (1,902,057)	\$ (60,808)
Net loss for the year		-		(2,250,565)	(2,250,565)
Shares and units issued for:					
Acquisition of property (Note 7)	6,900,000	1,725,000	-	-	1,725,000
Cash (Note 10)	29,550,000	7,449,000		-	7,449,000
Issuance of warrants (Note 11)		(531,870)	531,870		-
Exercise of warrants (Note 11)	1,710,000	212,639	(67,639)	-	145,000
Issuance of stock options (Note 12)			1,013,473		1,013,473
Share issuance cost (Note 18)	1,200,000	(135,183)	-	-	(135,183)
<b>Balance – March 31, 2017</b>	44,117,750	\$ 10,360,835	\$ 1,677,704	\$ (4,152,622)	\$ 7,885,917
<b>Balance – March 31, 2015</b>	4,757,750	\$ 1,653,749	\$ 200,000	\$ (1,754,112)	\$ 99,637
Net loss for year	-	-	-	(147,945)	(147,945)
Share subscriptions received in advance	-	(12,500)		-	(12,500)
<b>Balance – March 31, 2016</b>	4,757,750	\$ 1,641,249	\$ 200,000	\$ (1,902,057)	\$ (60,808)

The accompanying notes are integral to these consolidated financial statements

**FIRST COBALT CORP. (FORMERLY AURGENT RESOURCES CORP.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

*(expressed in Canadian dollars)*

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**1. Nature and continuance of operations**

First Cobalt Corp. (Formerly Aurgent Resource Corp.) (the "Corporation" or "First Cobalt") was incorporated on July 13, 2011 under the Business Corporations Act of British Columbia (the "Act"). On September 22, 2016, the Corporation changed its name to First Cobalt Corp. The Corporation is in the business of acquisition and exploration of resource properties. The Corporation is focused on building a diversified global portfolio of assets that are highly leveraged to the cobalt market.

These financial statements have been prepared on the assumption that the Corporation will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. As at March 31, 2017, the Corporation had not advanced its exploration and evaluation assets to commercial production and is not able to finance day-to-day activities through operations. These uncertainties cast significant doubt about the Corporation's ability to continue as a going concern. The Corporation's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds from and/or raise equity capital or borrowings sufficient to meet current and future obligations. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management intends to finance mineral property acquisition, exploration and general administration costs over the next twelve months from proceeds of private placements of its common shares.

First Cobalt is a public company which is listed on the Toronto Venture Stock Exchange (TSX-V) (under the symbol FCC). The Corporation's registered and records office is 2200 HSBC Building, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8 and corporate head office located at 140 Yonge Street, Suite 201, Toronto, Ontario, M5C 1X6.

**2. Significant accounting policies and basis of preparation**

***Basis of Presentation and Statement of Compliance***

These annual consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB"). These financial statements have been prepared on an historical cost basis, except for financial instruments, which are classified as fair value through profit or loss ("FVTPL"). In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts on the consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Corporation.

These financial statements were approved by the board of directors for issue on July 25, 2017.

***Basis of consolidation***

These consolidated financial statements include the accounts of the Company and its controlled entity. Control is achieved when the Company has the power to govern the financial operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Company until the date on which control ceases. All inter-company transactions, balances, income and expenses are eliminated in full upon consolidation.

***Cash and Cash equivalents***

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less.

***Financial instruments***

The Corporation classifies its financial instruments in the following categories: at fair value through profit and loss, loans and receivables, and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition. All financial instruments must be recognized, initially, at fair value on the statement of financial position. Subsequent measurement of the financial instruments is based on their respective classification.

**FIRST COBALT CORP. (FORMERLY AURGENT RESOURCES CORP.)****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MARCH 31, 2017 AND 2016***(expressed in Canadian dollars)*

Financial assets are classified at fair value through profit or loss when they are either held for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Corporation's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets.

Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses.

Non-derivative financial liabilities are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the settlement-date – the date on which the Corporation commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

At each reporting date, the Corporation assesses whether there is objective evidence that a financial asset has been impaired.

The Corporation had made the following classification of its financial instruments:

<b>Financial Assets or liabilities</b>	<b>Measurement category under IAS 39</b>
Cash	Held for trading
Accounts receivable	Loans and receivables
Trade and other receivables	Other liabilities
Loan payable	Other liabilities
Due to related party	Other liabilities

Financial instruments measures at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;

Level 3 – Inputs that are not based on observable market data.

Cash is included in level one and is measured at fair value. The Corporation has no other financial instruments measured at fair value.



**FIRST COBALT CORP. (FORMERLY AURGENT RESOURCES CORP.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

*(expressed in Canadian dollars)*

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***Mineral property interests***

The acquisition costs of mineral property interests and any subsequent exploration and evaluation costs are capitalized until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Exploration and evaluation costs incurred prior to obtaining ownership, or the right to explore a property, are expensed as incurred as property examination costs. Properties that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units ("CGU") for the purpose of determining future mineral reserves and impairments.

The acquisition costs include the cash consideration paid and the fair market value of any shares issued for mineral property interests being acquired or optioned pursuant to the terms of relevant agreements. Proceeds received from a partial sale or option of a mineral property interest are credited against the carrying value of the property. When the proceeds exceed the carrying costs the excess is recorded in profit or loss in the period the excess is received. When all of the interest in a property is sold, subject only to any retained royalty interests which may exist, the accumulated property costs are written-off, with any gain or loss included in profit or loss in the period the transaction takes place. No initial value is assigned to any retained royalty interest. The royalty interest is subsequently assessed for value by reference to developments on the underlying mineral property.

Management reviews its mineral property interests at each reporting period for signs of impairment and annually if there is impairment in value taking into consideration current year exploration results and management's assessment of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned, or considered to have no future economic potential, the acquisition and deferred exploration and evaluation costs are written-off to profit or loss.

Should a project be put into production, the costs of acquisition, exploration and evaluation will be amortized over the life of the project based on estimated economic reserves. If the carrying value of a project exceeds its estimated net realizable value or value in use, an impairment provision is recorded.

Exploration costs renounced to shareholders pursuant to flow-through share subscription agreements remain capitalized, however, for income tax purposes the Corporation has no right to claim these costs as tax deductible expenses.

When entitled, the Corporation records refundable mineral exploration tax credits or incentive grants on an accrual basis and as a reduction of the carrying value of the mineral property interest. When the Corporation is entitled to non-refundable exploration tax credits, and it is probable that they can be used to reduce future taxable income, a deferred income tax benefit is recognized.

***Impairment***

***(i) Financial assets***

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, this reversal is recognized in profit or loss.

***(ii) Non-financial assets***

Non-financial assets are evaluated at each reporting period by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the CGU level, the smallest identifiable group of assets that generates cash inflows that

**FIRST COBALT CORP. (FORMERLY AURGENT RESOURCES CORP.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

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*(expressed in Canadian dollars)*

are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount. The Corporation's mineral property interest impairment policy is more specifically discussed above.

***Share capital***

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their trading value at the date the shares are issued.

The Corporation has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. When shares and warrants are issued at the same time, the proceeds are allocated first to warrants issued, according to their fair value using the Black-Scholes pricing model, and the residual value being allocated to shares. The Company does not measure the impact of modification to the terms of warrants previously issued. Any fair value attributed to the warrants is recorded as contributed surplus.

Common shares, which by agreement are designated as flow-through shares, are usually issued at a premium to non-flow-through common shares. On issue, share capital is increased by only the non-flow-through share equivalent value. Any premium is recorded as a flow-through share premium liability. Pursuant to any flow-through share agreement the Corporation must renounce its flow-through share exploration expenditures to the flow-through shareholders, and the Corporation gives up its rights to the income tax benefits on the exploration expenditures. The loss of the tax benefit is recorded as a deferred tax liability and eliminates the original flow-through share premium liability, with the difference, if any, recorded as a deferred income tax expense. In instances where the Corporation has sufficient deductible temporary differences available to offset the deferred income tax liability created from renouncing the exploration expenditures, the realization of the deductible temporary differences is shown as a recovery in profit or loss in the period of renunciation.

***Share-based payment transactions***

The Corporation has a stock option plan that provides for the granting of options to officers, directors, consultants and related company employees to acquire shares of the Corporation. The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in contributed surplus as the options vest. Options granted to employees and others providing similar services are measured on grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. On vesting, share-based payments are recorded as an operating expense and as contributed surplus. When options are exercised, the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as contributed surplus are transferred to share capital. When an option is cancelled, or expires, the initial recorded value is reversed and charged to deficit.

**FIRST COBALT CORP. (FORMERLY AURGENT RESOURCES CORP.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

*(expressed in Canadian dollars)*

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***Environmental rehabilitation***

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The estimated costs arising from the future decommissioning of plant and other site preparation work, discounted to their net present value, are determined, and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates, using a pretax rate that reflect the time value of money, are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted at each period-end, for the unwinding of the discount rate, for changes to the current market-based discount rate and for changes to the amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Corporation has no known restoration, rehabilitation or environmental costs related to its mineral property interest.

***Income taxes***

Income tax expense is comprised of current and deferred taxes. Current tax and deferred tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

***Loss per share***

The Corporation presents basic and diluted loss per share ("LPS") data for its common shares. Basic LPS is calculated by dividing the loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted LPS is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all dilutive potential common shares related to outstanding stock options and warrants issued by the Corporation.

***Related Party Transactions***

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities and include key management of the Corporation and its parent. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations between related parties.

**FIRST COBALT CORP. (FORMERLY AURGENT RESOURCES CORP.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

(expressed in Canadian dollars)

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**3. Recently adopted accounting standards and accounting standards issued but not yet effective**

*IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets clarify acceptable methods of depreciation and amortization. The amendments are effective for annual periods beginning on or after January 1, 2016. The adoption of this amendment had no impact on the amount statements for the year ended March 31, 2017.

The Corporation has reviewed amendments to accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Corporation:

*IFRS 9 Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting. IFRS 9 is effective for annual period beginning on or after January 1, 2018.

*IFRS 15 Revenue from Contracts with Customers*

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15 Revenue from Contracts with Customers, which specifies how and when an entity will recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. IFRS 15 is effective for annual period beginning on or after January 1, 2018.

*IFRS 16 - Leases*

This new standard was issued with the objective to recognize all leases on the balance sheet. IFRS 16 requires lessees to recognize a "right of use" asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. Early adoption is permitted provided that IFRS 15, Revenue from Contracts with Customers, is also adopted.

*IFRS 2 – Share-based Payment*

On June 30, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018. The Corporation intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

The Corporation is currently assessing the impact these standards and amendments may have on its financial statements.

**4. Significant Accounting Judgments and Estimates**

The preparation of the Corporation's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ significantly from these estimates.

Areas requiring a significant degree of judgment relate to the recoverability and measurement of deferred tax assets and liabilities, the ability to continue as a going concern and the capitalization of development costs. Actual results may differ from those estimates and judgments. Areas requiring a significant degree of estimation include allowances for doubtful accounts.

**FIRST COBALT CORP. (FORMERLY AURGENT RESOURCES CORP.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

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*(expressed in Canadian dollars)*

Judgments that have the most significant effect on the amounts recognized in the Corporation's consolidated financial statements are as follows

- *Exploration and Evaluation Assets*

The net carrying value of each mineral property is reviewed regularly for conditions that suggest potential indications impairment. This review requires significant judgment. Factors considered in the assessment of asset impairment include, but are not limited to, whether there has been a significant adverse change in the legal, regulatory, accessibility, title, environmental or political factors that could affect the property's value; whether there has been an accumulation of costs significantly in excess of the amounts originally expected for the property's acquisition, development or cost of holding; and whether exploration activities produced results that are not promising such that no more work is being planned in the foreseeable future.

- *Going Concern*

The assessment of the Corporation's ability to continue as a going concern involves critical judgement based on historical experience and expectations of the Corporation's ability to generate adequate financing. Significant judgements are used in the Corporation's assessment of its ability to continue as a going concern.

- *Income taxes*

Deferred tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

The determination of the ability of the Corporation to utilize tax loss carry-forwards to offset deferred tax liabilities requires management to exercise judgement and make certain assumptions about the future performance of the Corporation. Management is required to assess whether it is probable that the Corporation will benefit from these prior losses and other deferred tax assets. Change in economic conditions, metal prices and other factors could result in revision to the estimates of the benefits to be realized or the timing of utilizing the losses.

- *Acquisition Accounting*

The Corporation has accounted for the acquisition of Cobalt Industries of Canada Inc. as an asset acquisition. Significant judgment was required to determine that the application of this accounting treatment was appropriate for the transaction. These included, among others, the determination that Cobalt Industries of Canada Inc. did not meet the definition of a business under IFRS 3: Business combinations. In addition, the basis for the calculation of the fair value of the asset acquired included significant estimates of the fair value of the consideration transferred.

- *Share based payments*

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes pricing model.

**FIRST COBALT CORP. (FORMERLY AURGENT RESOURCES CORP.)****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MARCH 31, 2017 AND 2016***(expressed in Canadian dollars)***5. Receivables**

	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Loans receivable	\$ 435,000	\$ -
GST receivable	32,880	-
	<b>\$ 467,880</b>	<b>\$ -</b>

On November 16, 2016, the Corporation entered into a promissory note agreement with Cobalt Projects Inc. ("Cobalt Projects") to loan Cobalt Projects \$80,000. The promissory note is unsecured, non-interest bearing and repayable on demand following three business days of written notice.

On November 18, 2016, the Corporation entered into a promissory note agreement with Canadian Cobalt Projects Inc. ("Canadian Cobalt Projects") to loan Canadian Cobalt projects \$55,000. The promissory note is unsecured, non-interest bearing and repayable on demand following three business days of written notice.

On January 9, 2017, the Corporation entered into a promissory note agreement with Cobalt Projects International Corp. ("Cobalt Projects International") to loan Cobalt Projects International a total of \$300,000. The promissory note is unsecured, non-interest bearing and repayable on demand following three business days of written notice.

The balance of the loans receivable became part of the purchase price of each asset upon closing.

**6. Prepaid expenses and deposits**

	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Prepaid expenses	\$ 224,492	\$ -
Deposits	68,048	-
	<b>\$ 292,540</b>	<b>\$ -</b>

**7. Exploration and Evaluation Asset**

	<b>Balance March 31, 2016</b>	<b>Acquisition Costs</b>	<b>Exploration Expenditures</b>	<b>Write-Down</b>	<b>Balance March 31, 2017</b>
South Lorraine	\$ -	\$ 1,810,000	\$ -	\$ -	\$ 1,810,000
Dickens Lake	328,274	164,963	-	(118,179)	375,058
	<b>\$ 328,274</b>	<b>\$ 1,974,963</b>	<b>\$ -</b>	<b>\$ (118,179)</b>	<b>\$ 2,185,058</b>

**FIRST COBALT CORP. (FORMERLY AURGENT RESOURCES CORP.)****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MARCH 31, 2017 AND 2016***(expressed in Canadian dollars)*

	<b>Balance March 31, 2015</b>	<b>Acquisition Costs</b>	<b>Exploration Expenditures</b>	<b>Write-Down</b>	<b>Balance March 31, 2016</b>
Dickens Lake	\$ 310,274	\$ -	\$ 18,000	\$ -	\$ 328,274
Fond du Lac	32,000	-	-	(32,000)	-
Brown Lake	28,000	-	-	(28,000)	-
		-			
	\$ 370,274	\$ -	\$ 18,000	\$ (60,000)	\$ 328,274

**South Lorraine**

On December 12, 2016, the Corporation entered into an agreement to acquire all of the outstanding share capital of Cobalt Industries of Canada Inc. ("Cobalt Industries"), a privately-held Ontario-based mineral exploration company. Cobalt Industries holds the "South Lorraine Cobalt" claim group, which consists of 17 claim blocks covering an area of 1,950 hectares or 19.50 square kilometers. The claim group is located in the former mining camp of Silver Centre, Ontario, Canada, 25 kilometers south of the historical Cobalt, Ontario silver camp and 400 kilometers north of Toronto, Canada.

The claim group is located adjacent to the former producing Keely Frontier Mine in South Lorrain Township, Ontario and includes the following:

<b>Claim Number</b>	<b>Township</b>	<b>Claim Size (Ha)</b>
4282446	Lorrain	40
4282449	Lorrain	40
4282748	Lorrain	40
4282451	South Lorraine	141
4282445	South Lorraine	64
4282447	South Lorraine	256
4282448	South Lorraine	64
4282450	South Lorraine	192
4282747	South Lorraine	120
4282749	South Lorraine	192
4282750	South Lorraine	240
4278692	South Lorraine	30
4282704	South Lorraine	14
4280570	South Lorraine	10
4282406	South Lorraine	203
4282702	South Lorraine	145
4282703	South Lorraine	160

In consideration for the acquisition, the Corporation issued 6,900,000 common shares for all outstanding share capital of Cobalt Industries at a deemed value of \$0.25 per share.

As of the acquisition date of Cobalt Industries, management of the Corporation concluded that the acquisition does not constitute a business combination as determined by IFRS 3 Business Combinations, the acquisition was accounted for as an asset acquisition.

**FIRST COBALT CORP. (FORMERLY AURGENT RESOURCES CORP.)****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MARCH 31, 2017 AND 2016***(expressed in Canadian dollars)***Dickens Lake Property**

On July 5, 2012, the Corporation entered into an arrangement agreement (the "Arrangement Agreement"), a property purchase agreement (the "Purchase Agreement") and a Farm-out Agreement (the "Farm-out Agreement") with Unity Energy Corp. ("Unity"), which resulted in a spinout of Unity's interest in its Dickens Lake Property (the "Property") to the Corporation. Pursuant to the Arrangement Agreement, the Corporation acquired a 100% interest in the Dickens Lake Property, located in Saskatchewan, Canada. As consideration, the Corporation issued 3,182,750 common shares to Unity, with a fair value of \$1,466,749. The fair value of the common shares was equal to Unity's carrying value of the Dickens Lake Property. The Corporation also received a cash payment of \$200,000 from Unity, which has been recorded in reserves.

Pursuant to the Farm-out Agreement, the Corporation transferred a 10% interest in the Dickens Lake Property to Unity, and received a cash payment of \$205,000 from Unity, to be expended on exploration and development work, which has been applied against the carrying value of the Dickens Lake Property.

The Dickens Lake Property is subject to a 2% net smelter royalty ("NSR"), which may be purchased by the Corporation for \$1,500,000. During the year ended March 31, 2017 the Corporation re-purchased 1.5% of the 2% NSR for \$164,963.

During the year ended March 31, 2017, the Corporation incurred \$Nil (2016 - \$18,000) in exploration expenditures on the Dickens Lake Property.

During the year ended March 31, 2017, the Corporation recorded \$118,179 (2016 - \$60,000) in impairment charges associated with the Dickens Lake Property. The impairment recorded is associated to the lapse of claims on the Dickens Lake property.

**8. Accounts Payable and Accrued Liabilities**

	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Accounts Payable	\$ 312,660	\$ 223,479
Accrued Liabilities	50,973	7,000
	<b>\$ 363,633</b>	<b>\$ 230,479</b>

Accounts payable and accrued liabilities comprise primarily of trade payables incurred in the normal course of business. Included in accounts payable are amounts total \$33,064 (2016 - \$133,785) due to related parties (see note 19).

**9. Loans Payable**

During the year ended March 31, 2016, \$31,270 (2015 - \$10,459) was loaned to the Corporation from an unrelated third party. The loan is unsecured, carries an interest rate of 4% per annum and is due on demand.

During the year ended March 31, 2017 \$Nil (2016 - \$31,270) was loaned to the Corporation from an unrelated third party. The loan is unsecured, non-interest bearing and is due on demand. The loan is fully settled as at March 31, 2017.



**FIRST COBALT CORP. (FORMERLY AURGENT RESOURCES CORP.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

*(expressed in Canadian dollars)*

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**10. Share Capital**

**(a) Authorized Share Capital**

The Corporation is authorized to issue an unlimited number of common shares without par value. At March 31, 2017, the Corporation had 44,117,750 (March 31, 2016 – 4,757,750 common shares outstanding.

**(b) Issued Share Capital**

During the year March 31, 2017, the Corporation issued common shares as follows:

- During the year ended March 31, 2017, the Corporation issued 1,710,000 common shares on exercise of warrants for total gross proceeds of \$145,000.
- On March 6, 2017, the Corporation closed a non-brokered private placement offering by issuing 12,000,000 common shares at a price of \$0.50 per share, for total gross proceeds of \$6,000,000. In connection with the financing, the Corporation issued 1,200,000 common shares, at a deemed value of \$0.50 per share, as finders' shares, and incurred share issuance costs of \$63,488. As at March 31, 2017 \$16,000 is recorded as a subscription receivable as part of share capital.
- On December 12, 2016, the Corporation issued 6,900,000 common shares for the acquisition ("Acquisition Shares") of all outstanding share capital of Cobalt Industries of Canada Inc. (see note 6). The deemed value of Acquisition Shares issued is \$0.25 per share. All common shares issued in connection with the acquisition are subject to an eighteen-month escrow arrangement restricting the resale of securities. Under the terms of the escrow agreement, the Acquisition Shares will be released from escrow in five equal tranches, with the first release occurring six-months following the completion of the acquisition.
- On November 3, 2016, the Corporation closed a non-brokered private placement offering by issuing 6,000,000 common shares at a price of \$0.15 per share, for total gross proceeds of \$900,000. In connection with the financing, the Corporation paid cash finder's fees of \$ 23,817 and incurred legal and transaction fees recorded as share issuance costs of \$47,878.
- On September 13, 2016, the Corporation closed a non-brokered private placement offering by issuing 10,000,000 units at a price of \$0.05 per unit, for total gross proceeds of \$500,000. Each unit consists of one common share and one share purchase warrant. Each full warrant is exercisable at \$0.10 for period of 5 years from the date of closing.
- On May 31, 2016, the Corporation closed a non-brokered private placement offering by issuing 1,550,000 units at a price of \$0.05 per unit, for total gross proceeds of \$77,500. Each unit consists of one common share and one share purchase warrant. Each full warrant is exercisable at \$0.06 for period of 5 years from the date of closing.

There were no share capital transactions during the year ended March 31, 2016.

**FIRST COBALT CORP. (FORMERLY AURGENT RESOURCES CORP.)****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MARCH 31, 2017 AND 2016***(expressed in Canadian dollars)***11. Warrants**

Details regarding warrants issued and outstanding are summarized as follows:

	<b>Weighted Average exercise price</b>	<b>Number of shares issued or issuable on exercise</b>
Balance – March 31, 2015 and 2016		-
Issuance of warrants	\$0.06	1,550,000
Issuance of warrants	\$0.10	10,000,000
Exercise of warrants	\$0.08	(1,710,000)
Balance – March 31, 2017	\$0.10	9,840,000

The expiry of warrants are as follows:

<b>Grant Date</b>	<b>Expiry Date</b>	<b>Number of warrants issued</b>	<b>Weighted Average Exercise Price</b>
May 31, 2016	May 31, 2021	900,000	\$0.06
September 13, 2016	September 13, 2021	8,940,000	\$0.10
		9,840,000	\$0.10

During the year ended March 31, 2017, the Corporation issued an aggregate of 11,550,000 share purchase warrants and recorded a total fair value of \$531,869.

The fair value of the warrants has been estimated using the Black-Scholes Option Pricing Model assuming a risk free interest rate of 0.60% to 0.61%, an expected life of 2.5 years, an expected volatility of 84% to 86% and no expected dividends. The expected volatility was determined using the average historical volatility of similar entities that are publicly listed on the basis that the Corporation has limited historical information.

**12. Stock Options**

The Corporation adopted a stock option plan (the “Plan”) whereby it can grant stock options to directors, officers, employees, and consultants of the Corporation. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Corporation at any time.

The changes in incentive share options outstanding are summarized as follows:

	<b>Weighted average exercise price</b>	<b>Number of shares issued or issuable on exercise</b>	<b>Amount</b>
Balance – March 31, 2015 and 2016		-	\$ -
Stock options granted	\$0.50	4,050,000	1,013,473
Balance – March 31, 2017	\$0.50	4,050,000	\$ 1,013,473

During the year ended March 31, 2017, the Corporation granted 4,050,000 incentive stock options to employees, consultants, and directors. The options may be exercised within 5 years from the date of grant at a price of ranging from \$0.25 to \$0.66 per share. All outstanding options have vesting periods of up to 5 years

**FIRST COBALT CORP. (FORMERLY AURGENT RESOURCES CORP.)****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MARCH 31, 2017 AND 2016***(expressed in Canadian dollars)*

The fair value of options at the date of grant was estimated using the Black-Scholes Option Pricing Model, assuming a risk-free interest rate of ranging from 0.57% to 0.81% per annum, an expected life of options of 2 to 2.5 years, an expected volatility ranging from 83% to 87%, and no expected dividends.

Incentive share options outstanding and exercisable March 31, 2017 are summarized as follows:

Exercise Price	Options Outstanding			Options Exercisable	
	Number of Shares Issuable on Exercise	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	Number of Shares Issuable on Exercise	Weighted Average Exercise Price
\$0.25	325,000	2	\$0.25	243,750	\$0.25
\$0.25	500,000	5	\$0.25	500,000	\$0.25
\$0.35	500,000	5	\$0.35	500,000	\$0.35
\$0.34	200,000	5	\$0.34	200,000	\$0.34
\$0.38	550,000	5	\$0.38	550,000	\$0.38
\$0.66	1,975,000	5	\$0.66	1,975,000	\$0.66
	4,050,000	4.76	\$0.49	3,968,750	\$0.49

**13. Income Tax****Income tax reconciliation**

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of operations for the years ended March 31, 2017 and 2016:

	March 31, 2017	March 31, 2016
Loss before income taxes	\$ (2,250,565)	\$ (147,945)
Statutory tax rate	26%	26%
Expected (recovery) at statutory rate	(585,147)	(38,466)
Non-deductible items	263,503	-
Changes in estimates	-	(39,039)
Difference in tax rates	(6,185)	-
Change in unrecognized deferred tax assets	327,829	77,505
Income tax recovery	\$ -	\$ -

**FIRST COBALT CORP. (FORMERLY AURGENT RESOURCES CORP.)****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MARCH 31, 2017 AND 2016***(expressed in Canadian dollars)*

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. The unrecognized deductible temporary differences at March 31, 2017 and 2016 are as follows:

	March 31, 2017	March 31, 2016
Non-capital loss carry-forwards	\$ 1,621,268	\$ 502,355
Exploration and evaluation properties	1,667,083	1,548,904
Total unrecognized temporary differences	\$ 3,288,351	\$ 2,051,259

The Corporation has non-capital loss carryforwards of approximately \$ 1,621,268 (2016 – \$502,355) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

Year	Loss carry- forward amount
2034	\$ 238,782
2035	70,662
2036	87,945
2037	1,223,879
Total	\$ 1,621,268

**14. Loss Per Share**

The following table sets forth the computation of basic and diluted loss per share for years ended March 31, 2017 and 2016:

	March 31, 2017	March 31, 2016
<b>Numerator</b>		
Net loss for the year / period	\$ (2,250,565)	\$ (147,945)
<b>Denominator</b>		
Basic – weighted average number of shares outstanding	16,416,339	4,757,750
Effect of dilutive securities	-	-
Diluted – adjusted weighted average number of shares outstanding	16,416,339	4,757,750
<b>Loss Per Share – Basic and Diluted</b>	\$(0.14)	\$(0.03)

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year.

The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive.

**FIRST COBALT CORP. (FORMERLY AURGENT RESOURCES CORP.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

*(expressed in Canadian dollars)*

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Share purchase warrants and stock options were excluded from the calculation of diluted weighted average number of common shares outstanding during the year ended March 31, 2017 as the warrants and stock options were anti-dilutive since the Corporation was in a loss position.

**15. Financial Instruments**

**Fair value**

The Corporation's financial instruments consisted of cash and cash equivalents. The fair values of cash and cash equivalents approximate their carrying values because of their current nature.

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Corporation's primary exposure to credit risk is on its cash and short-term investments which are being held in bank accounts. The cash and short-term investments are deposited in bank accounts held with one major bank in Canada so there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Corporation has secondary exposure to risk on its sales tax receivables. The risk is minimal since it is recoverable from the Canadian government.

**Foreign currency risk**

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Corporation's functional currency. The Corporation only operates in Canada and is therefore not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

**Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Corporation's exposure to interest rate risk relates to its ability to earn interest income on cash at variable rates. The risk is minimal.

**Liquidity risk**

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation has a planning and budgeting process in place to help determine the funds required to support the Corporation's normal operating requirements on an ongoing basis. The Corporation attempts to ensure there is sufficient access to funds to meet on-going business requirements, taking into account its current cash position and potential funding sources. Liquidity risk is assessed as low.

**16. Management of Capital**

The Corporation manages its capital structure, consisting of share capital, and will make adjustments to it depending on the funds available to the Corporation for its future acquisition, exploration and development of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Corporation's management to sustain future development of the business.

The Corporation is dependent on external financing to fund its activities. In order to carry out its planned exploration and pay for future general and administrative expenses, the Corporation expects to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Corporation will continue to assess new exploration and evaluation assets and seeks to acquire additional interests if sufficient geologic or economic potential is established and adequate financial resources are available.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the size of the Corporation, is reasonable. The Corporation is not subject to externally imposed capital requirements. There were no changes in the Corporation's approach to capital management during the year ended March 31, 2017.

**FIRST COBALT CORP. (FORMERLY AURGENT RESOURCES CORP.)****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED MARCH 31, 2017 AND 2016***(expressed in Canadian dollars)***17. Supplemental Cash Flow Information**

The Corporation did not make any cash payments and had no cash receipts for interest or income taxes during the years ended March 31, 2017 and 2016.

The acquisition of the Cobalt Industries (see note 7) is a non-cash transaction, whereby, 6,900,000 shares at a price of \$0.25 per share is exchanged as consideration for the mineral property.

**18. Segmented Information**

The Corporation's exploration and evaluation activities are located in the provinces of Saskatchewan and Ontario, Canada, with its head office function in Canada. All of the Corporation's capital assets, including property, plant and equipment and exploration and the exploration and evaluation asset are located in Canada.

**19. Related Party Transactions**

The Corporation's related parties include key management personnel and companies related by way of directors or shareholders in common.

**(a) Key Management Personnel Compensation**

During the years ended March 31, 2017 and 2016, the Corporation paid and/or accrued the following fees to management personnel and directors:

	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Management	\$ 58,849	\$ 30,000
Directors	16,983	50,450
	<b>\$ 75,832</b>	<b>\$ 80,450</b>

At March 31, 2017, an amount of \$Nil (2016 – \$5,400) was owing to a former director of the Corporation and an amount of \$Nil (2016 – \$33,885) was owing to a company controlled by a former director. An amount of \$Nil (2016 – \$94,500) was owing to a company controlled by a former director. An amount of \$Nil (2016 – \$50,000) was owing to the former President of the Corporation. An amount of \$Nil (2016 – \$11,270) was loaned to the Corporation from the former President of the Corporation and was included in loan payable on the statement of financial position. The loan carried an interest rate of 10% per annum and was due on demand.

During the year ended March 31, 2017 the Company also had share based payments made to management and directors of \$1,057,815 (2016 - \$Nil).

**(b) Due to Related Parties**

As at March 31, 2017 and 2016, the Corporation has the follow amounts due to related parties:

	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Accounts payable	\$ 36,064	\$ 183,785
	<b>\$ 36,064</b>	<b>\$ 183,785</b>

(expressed in Canadian dollars)

## **20. Subsequent Events**

- (a) Subsequent to March 31, 2017, the Corporation issued the following equity instruments:
- 500,000 common shares on exercise of warrants at an exercise price of \$0.06 per warrant for gross proceeds of \$30,000,
  - 5,740,000 common shares on exercise of warrants at an exercise price of \$0.10 warrant for gross proceeds of \$574,000,
  - 250,000 common shares on exercise of stock options at an exercise price of \$0.25 per option for gross proceeds of \$62,500,
  - 150,000 common shares at an exercise price of \$0.35 per option for gross proceeds of \$52,500, and
  - granted an aggregate of 1,565,000 stock options to certain employees, officers, directors, and consultants of the Corporation.
- (b) On April 10, 2017, the Corporation acquired all of the outstanding share capital of Cobalt Projects International, a privately held Ontario-based mineral exploration company. Cobalt Projects holds the rights to earn up to a 100% interest from Canadian Silver Hunter Inc. ("Canadian Silver Hunter") in the Keeley-Frontier mine ("Keeley-Frontier"), located within the historic Silver Centre camp, and bordering on the Corporation's existing South Lorrain cobalt claim blocks. As consideration for the acquisition, the Corporation will issue 4,450,000 common shares, at a deemed price of \$0.57 per share, to existing shareholders of Cobalt Projects, which shall vest in 6 equal tranches over a 4 to 18-month period.

Under the terms of the option agreement between Cobalt Projects and Canadian Silver Hunter, the Corporation may earn up to 100% interest in Keeley-Frontier as follows:

- 50% interest upon payment of \$850,000 (of which \$350,000 has been paid) and incurring expenditures of \$1,750,000 on the property over a period of three years.
- 51% interest upon payment of \$200,000 within 60 days of having exercised the first option and producing a technical report in compliance with NI 43-101 – *Standards of Disclosure for Mineral Projects* by the fourth anniversary.
- 100% interest upon payment of \$750,000 and incurring additional expenditures of \$1,250,000 by the fifth anniversary.

Upon earning a 100% interest, Canadian Silver Hunter shall be granted a 2% net smelter return royalty, subject to the Corporation having the right to purchase 1% for \$1 million over the ensuing 10 years. The Corporation may elect to accelerate the earn-in.

- (c) On May 1, 2017, the Corporation entered into an exclusive Letter of Intent ("LOI") with an associate of Madini Minerals ("Madini"), to form a strategic alliance and earn a controlling interest over seven prospective copper-cobalt ("Cu-Co") exploration properties covering 190 square kilometers on the Central African Copperbelt in Katanga, Democratic Republic of Congo (t "DRC").

Under the terms of the agreement:

- Madini will act as the Corporation's operator on all seven properties.
- The Corporation will have a right of first refusal over other Madini interest in the DRC.
- As consideration for the options, the Corporation will pay JayBird Invest Ltd. ("JayBird", associate of Madini Minerals) \$600,000 in cash and issue 4,530,000 common shares of the Corporation upon closing of the transaction.
- An aggregate of USD \$1,580,000 is payable to the property owners to acquire 70% interest over all seven properties.
- There are no minimum annual spending requirements and the 30% partners have a free-carry until completion of a feasibility study.
- At the closing of the transaction, JayBird will own approximately 8.5% of the Corporation's issued and outstanding shares, and shall be entitled to appoint a nominee to the Board of Directors of the Corporation.

**FIRST COBALT CORP. (FORMERLY AURGENT RESOURCES CORP.)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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*(expressed in Canadian dollars)*

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The agreement is non-binding and is subject to certain conditions including, but not limited to, the receipt of all necessary regulatory and other approvals including the approval of the TSX Venture Exchange.

- (d) On May 31, 2017, the Corporation issued 2,050,000 flow-through shares at \$0.60 per share for total gross proceeds of \$1,230,000. In connection with the flow-through share offering, the Corporation paid cash finders' fee of \$27,012.
- (e) On June 1, 2017, the Corporation entered into an option agreement with Cobalt One Limited ("Cobalt One") to enter into a 50-50 joint venture on the Yukon cobalt extraction refinery (the "Refinery") in Cobalt Ontario. The Refinery is situated in close proximity to the Corporation's Keeley-Frontier mine.

Under the terms of the agreement:

- In consideration for the option payment to enter into a 50-50 joint venture, the Corporation will pay \$750,000 in cash to Cobalt One.
- The Corporation will have until December 31, 2017 to exercise the option
- On exercise, the Corporation will be obligated to pay Cobalt One an additional \$2,250,000 in cash and the equivalent of 50,000,000 shares of Cobalt One in cash or shares of the Corporation, at an approximate value of \$5,500,000.

The agreement is subject to certain conditions including, but not limited to, receipt of all necessary regulatory and other approvals including approval of the TSX Venture Exchange.

- (f) On June 7, 2017, the Corporation acquired 22 mining claims totalling 848 hectares from Brixton Metals Corp. ("Brixton"). These mining claims, includes former producing Bellellen Mine, are located in Cobalt, Ontario. The claims cover prospective ground in both the south end of the mining camp, near Silver Centre, as well as the north, near the town of Cobalt, Ontario. The Bellellen Mine is adjacent to the Keeley-Frontier Mine. In consideration for the acquisition of the mining claims, the Corporation made a cash payment of \$325,000 to Brixton.
- (g) On June 21, 2017, the Corporation entered into an exclusive Letter of Intent ("LOI") to acquire all of the issued and outstanding shares of CobaltTech Mining Inc. ("CobaltTech") by way of a court approved plan of arrangement (the "Arrangement"). CobaltTech's prospective cobalt properties, all situated in Canada, include 11 past producing mines in the town of Cobalt, Ontario, the Werner Lake East Cobalt property near Kenora, Ontario and eight properties in the Province of Quebec. CobaltTech also owns a 100 tonne per day mill in the town of Cobalt.
- (h) On June 26, 2017, the Corporation has entered into an exclusive Letter of Intent ("LOI") with Cobalt One for the Corporation to acquire 100% of the issued and outstanding common shares of Cobalt One by way of a court approved plan of arrangement (the "Arrangement"). Under the terms of the Arrangement, the Corporation would acquire all of the outstanding common shares of Cobalt One which would result in the shareholders of Cobalt One holding approximately 60% of the equity in the merged entity and the shareholders of First Cobalt holding the remaining 40%. Under the terms of the Arrangement, the Corporation maintain its listing on the TSX-V and seek to obtain a secondary listing on the Australian Securities Exchange ("ASX") of CHESS Depository Interests and the merged entity would include certain members of the board of directors of Cobalt One, including existing directors of the Corporation. Cobalt One currently owns a 7,272 hectare land package in the Cobalt region of Ontario, Canada. Many of Cobalt One's holdings are adjacent to the Corporation's properties.
- (i) On July 18, 2017, the Corporation entered into an option agreement to acquire 100% rights on a prospective mining claim adjacent to the Keeley-Frontier project in the Cobalt, Ontario mining camp. First Cobalt acquired the 100% rights on the claim by making a \$10,000 cash payment on signing, as well as committing to \$75,000 in exploration expenditures and a total of \$30,000 in additional cash payments over a three-year period. Upon earning a 100% interest, the option or shall be granted a 2% net smelter return royalty, subject to the Corporation having the right to purchase 1% for \$500,000 and the remaining 1% for an additional \$500,000. The Corporation may elect to accelerate the earn-in after the first anniversary.



**Annual Financial Statements of**

**Aurgent Resource Corp.**

**Years Ended March 31, 2016 and 2015**

**(Expressed in Canadian Dollars)**

**(Unaudited)**

## Independent Auditors' Report

To the Shareholders of Aurgent Resource Corp.:

We have audited the accompanying financial statements of Aurgent Resource Corp., which comprise the statements of financial position as at March 31, 2016 and March 31, 2015, and the statements of loss and other comprehensive loss and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Aurgent Resource Corp. as at March 31, 2016, March 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 of these financial statements, which states that Aurgent Resource Corp. incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of Aurgent Resource Corp. to continue as a going concern.

Vancouver, British Columbia

July 29, 2016



Chartered Professional Accountants

Aurgent Resource Corp.  
(Formery Aurgent Gold Corp.)  
Statement of financial position  
(Expressed in Canadian dollars)

	Notes	March 31, 2016	March 31, 2015
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		3,815	6,577
Receivables	4	2,637	4,274
		<b>6,452</b>	<b>10,851</b>
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation assets	5	328,274	370,274
<b>TOTAL ASSETS</b>		<b>334,726</b>	<b>381,125</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	7	223,479	56,994
Accrued liability	7	7,000	102,175
Due to related party	8	133,785	111,860
Loan Payable	9	31,270	10,459
		<b>395,534</b>	<b>281,488</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	1,628,749	1,628,749
Share subscriptions received in advance	6	12,500	25,000
Reserves	6	200,000	200,000
Deficit		(1,902,057)	(1,754,112)
<b>TOTAL EQUITY</b>		<b>(60,808)</b>	<b>99,637</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>334,726</b>	<b>381,125</b>

Nature and continuance of operations (Note 1)  
Subsequent events (Note 11)

Approved by the Board of Directors and authorized for issue on July 29, 2016.

"Anita Algie"  
Director

"Richard Ko"  
Director

Aurgent Resource Corp.  
Statement of comprehensive loss  
(Expressed in Canadian dollars)

	Notes	Year ended March 31, 2016	Year ended March 31, 2015
<b>Expenses</b>			
Consulting and management fees	8	\$ 33,600	\$ 33,600
General and administrative		43,505	69,560
Professional fees		10,840	4,450
Loss for the year		<b>(87,945)</b>	<b>(107,610)</b>
Write off of exploration and evaluation assets		60,000	1,301,904
Comprehensive loss for the year		<b>(147,945)</b>	(1,409,514)
Loss per share – basic and diluted		<b>\$(0.03)</b>	\$ (0.03)
Weighted average number of common shares outstanding – basic and diluted		<b>4,757,750</b>	<b>4,757,750</b>

See accompanying notes to the financial statements

Aurgent Resource Corp.  
Statement of cash flows  
(Expressed in Canadian dollar)

	Year ended March 31, 2016	Year ended March 31, 2015
Cash provided by (used for):		
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (147,945)	(1,409,514)
Write off of exploration and evaluation assets	60,000	1,301,904
Changes in non-cash operating working capital		
Decrease/(Increase) in receivables	1,637	(1,846)
Decrease/(Increase) in prepaids	-	1,000
Increase/(Decrease) in accounts payable	166,485	123,352
Increase/(Decrease) in accrued liability	(74,535)	(10,320)
Increase/(Decrease) in loan payable	20,811	10,459
Increase/(Decrease) in due to related party	1,285	(16,485)
	<b>27,738</b>	<b>(1,458)</b>
<b>INVESTING ACTIVITIES</b>		
Exploration and evaluation assets	(18,000)	(18,000)
	<b>(18,000)</b>	<b>(18,000)</b>
<b>FINANCING ACTIVITIES</b>		
Increase in loan payable	-	(100,000)
Subscriptions received in advance	(12,500)	-
	<b>(12,500)</b>	<b>(100,000)</b>
<b>DECREASE IN CASH</b>	<b>(2,762)</b>	<b>(119,458)</b>
Cash - beginning of year	6,577	126,035
<b>CASH - END OF YEAR</b>	<b>\$ 3,815</b>	<b>6,577</b>

Aurgent Resource Corp.  
Statement of equity  
(Expressed in Canadian dollars)

**Share capital**

	<b>Notes</b>	<b>Number of shares</b>	<b>Amount</b>	<b>Reserves</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance at March 31, 2014</b>		4,757,750	1,753,749	200,000	(344,598)	1,609,151
Share subscriptions received in advance	6	-	(100,000)	-	-	(100,000)
Comprehensive loss for the year		-	-	-	(1,409,514)	(1,409,514)
<b>Balance at March 31, 2015</b>		<b>4,757,750</b>	<b>1,653,749</b>	<b>200,000</b>	<b>(1,754,112)</b>	<b>99,637</b>
Shares subscriptions received in advance	6	-	(12,500)	-	-	(12,500)
Comprehensive loss for the year		-	-	-	(147,945)	(147,945)
<b>Balance at March 31 2016</b>		<b>4,757,750</b>	<b>\$ 1,641,249</b>	<b>\$ 200,000</b>	<b>\$ (1,902,057)</b>	<b>\$ (60,808)</b>

## **1. Nature and continuance of operations**

Aurgent Resource Corp. (the “Company”) was incorporated on July 13, 2011 under the Business Corporations Act of British Columbia (the “Act”) in the business of the acquisition and exploration of resource properties.

On July 5, 2012, the Company entered into an arrangement agreement (the “Arrangement Agreement”), a property purchase agreement (the “Purchase Agreement”) and a Farmout Agreement (the “Farmout Agreement”) with Unity Energy Corp. (“Unity”), which resulted in a spinout of Unity’s interest in its Dickens Lake Property (the “Property”) to the Company (Note 6). The Arrangement Agreement was approved on October 2, 2012 and the Company’s shares commenced trading on the TSX Venture Exchange (“TSX-V”) under the symbol AUR-V.

The Company’s head office, principal address and registered and records office is suite 313 – 515 West Pender Street, Vancouver, B.C., V6B 6H5.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at March 31, 2016, the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day-to-day activities through operations. These uncertainties cast significant doubt about the Company’s ability to continue as a going concern. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months from proceeds of private placements of its common shares.

## **2. Significant accounting policies and basis of preparation**

### ***Basis of presentation***

These annual financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (IFRS”) as issued by the International Accounting Standards Board (“IASB”). These financial statements have been prepared on an historical cost basis, except for financial instruments, which are classified as fair value through profit or loss (“FVTPL”). In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All amounts on the financial statements are presented in Canadian dollars, which is the functional currency of the Company.

These financial statements were approved by the board of directors for issue on July 29, 2016.

### ***Cash and Cash equivalents***

Cash and cash equivalents consist of cash on hand, deposits in banks and highly liquid investments with an original maturity of three months or less.

### ***Financial instruments***

The Company classifies its financial instruments in the following categories: at fair value through profit and loss, loans and receivables, and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of financial assets and liabilities at initial recognition. All financial instruments must be recognized, initially, at fair value on the statement of financial position. Subsequent measurement of the financial instruments is based on their respective classification.

## 2. Significant accounting policies and basis of preparation (cont'd)

### ***Financial instruments (cont'd)***

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets.

Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses.

Non-derivative financial liabilities are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset has been impaired.

The Company had made the following classification of its financial instruments:

Financial assets or liabilities	Measurement category under IAS 39
Cash	Held for trading
Accounts receivables	Loans and receivables
Trade and other payables	Other liabilities
Loan payable	Loans and receivables
Due to related party	Loans and receivables



## 2. Significant accounting policies and basis of preparation (cont'd)

### ***Financial instruments (cont'd)***

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;

Level 3 – Inputs that are not based on observable market data.

Cash is included in level one and is measured at fair value. The Company has no other financial instruments measured at fair value.

### ***Mineral property interests***

The acquisition costs of mineral property interests and any subsequent exploration and evaluation costs are capitalized until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Exploration and evaluation costs incurred prior to obtaining ownership, or the right to explore a property, are expensed as incurred as property examination costs. Properties that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units ("CGU") for the purpose of determining future mineral reserves and impairments.

The acquisition costs include the cash consideration paid and the fair market value of any shares issued for mineral property interests being acquired or optioned pursuant to the terms of relevant agreements. Proceeds received from a partial sale or option of a mineral property interest are credited against the carrying value of the property. When the proceeds exceed the carrying costs the excess is recorded in profit or loss in the period the excess is received. When all of the interest in a property is sold, subject only to any retained royalty interests which may exist, the accumulated property costs are written-off, with any gain or loss included in profit or loss in the period the transaction takes place. No initial value is assigned to any retained royalty interest. The royalty interest is subsequently assessed for value by reference to developments on the underlying mineral property.

Management reviews its mineral property interests at each reporting period for signs of impairment and annually after each exploration season to consider if there is impairment in value taking into consideration current year exploration results and management's assessment of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned, or considered to have no future economic potential, the acquisition and deferred exploration and evaluation costs are written-off to profit or loss.

Should a project be put into production, the costs of acquisition, exploration and evaluation will be amortized over the life of the project based on estimated economic reserves. If the carrying value of a project exceeds its estimated net realizable value or value in use, an impairment provision is recorded.

Exploration costs renounced to shareholders pursuant to flow-through share subscription agreements remain capitalized, however, for income tax purposes the Company has no right to claim these costs as tax deductible expenses.

When entitled, the Company records refundable mineral exploration tax credits or incentive grants on an accrual basis and as a reduction of the carrying value of the mineral property interest. When the Company is entitled to non-refundable exploration tax credits, and it is probable that they can be used to reduce future taxable income, a deferred income tax benefit is recognized.

## 2. Significant accounting policies and basis of preparation (cont'd)

### ***Impairment***

#### **(i) Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, this reversal is recognized in profit or loss.

#### **(ii) Non-financial assets**

Non-financial assets are evaluated at each reporting period by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the CGU level, the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in profit or loss to the extent that the carrying amount exceeds the recoverable amount. The Company's mineral property interest impairment policy is more specifically discussed above.

### ***Share capital***

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their trading value at the date the shares are issued.

When share capital recognized as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Share capital is reduced by the average per-common-share carrying amount, with the difference between this amount and the consideration paid, added to or deducted from contributed surplus.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in a private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the attached warrants, except where there is a related flow-through share premium, as detailed in the next paragraph. Any fair value attributed to the warrants is recorded as contributed surplus.

## 2. Significant accounting policies and basis of preparation (cont'd)

### ***Share capital (cont'd)***

Common shares, which by agreement are designated as flow-through shares, are usually issued at a premium to non-flow-through common shares. On issue, share capital is increased by only the non-flow-through share equivalent value. Any premium is recorded as a flow-through share premium liability. Pursuant to any flow-through share agreement the Company must renounce its flow-through share exploration expenditures to the flow-through shareholders, and the Company gives up its rights to the income tax benefits on the exploration expenditures. The loss of the tax benefit is recorded as a deferred tax liability and eliminates the original flow-through share premium liability, with the difference, if any, recorded as a deferred income tax expense. In instances where the Company has sufficient deductible temporary differences available to offset the deferred income tax liability created from renouncing the exploration expenditures, the realization of the deductible temporary differences is shown as a recovery in profit or loss in the period of renunciation.

### ***Share-based payment transactions***

The Company has a stock option plan that provides for the granting of options to officers, directors, consultants and related company employees to acquire shares of the Company. The fair value of the options is measured on grant date and is recognized as an expense with a corresponding increase in contributed surplus as the options vest. Options granted to employees and others providing similar services are measured on grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award with graded vesting is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Options granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received. On vesting, share-based payments are recorded as an operating expense and as contributed surplus. When options are exercised the consideration received is recorded as share capital. In addition, the related share-based payments originally recorded as contributed surplus are transferred to share capital. When an option is cancelled or expires, the initial recorded value is reversed and charged to deficit.

### ***Environmental rehabilitation***

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. The estimated costs arising from the future decommissioning of plant and other site preparation work, discounted to their net present value, are determined, and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates, using a pretax rate that reflect the time value of money, are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted at each period-end, for the unwinding of the discount rate, for changes to the current market-based discount rate and for changes to the amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no known restoration, rehabilitation or environmental costs related to its mineral property interest.

## 2. Significant accounting policies and basis of preparation (cont'd)

### ***Income taxes***

Income tax expense is comprised of current and deferred taxes. Current tax and deferred tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

### ***Loss per share***

The Company presents basic and diluted loss per share ("LPS") data for its common shares. Basic LPS is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted LPS is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all dilutive potential common shares related to outstanding stock options and warrants issued by the Company.

### ***Significant accounting estimates and judgments***

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates and judgments. Those areas requiring the use of management estimates and judgments include:

## 2. Significant accounting policies and basis of preparation (cont'd)

### **Judgments**

(i) Recorded costs of mineral property interests and deferred exploration and evaluation costs are not intended to reflect present or future values of these properties. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount. Management is required, at each reporting period, to review its mineral property interests for signs of impairment. This is a highly subjective process taking into consideration exploration results, metal prices, economics, financing prospects and sale or option prospects. Management makes these judgments based on information available, but there is no certainty that a property is or is not impaired. Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

(ii) The determination of deferred tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

(iii) These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The assessment of the Company's ability to source future operations and continue as a going concern involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations for future events that are believed to be reasonable under the circumstances.

If the going concern assumption was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications used.

## 3. Recently adopted accounting standards and accounting standards issued but not yet effective

### ***IAS 24 Related Party Disclosures***

Amendments to IAS 24 Related Party Disclosures expand the definition of a related party to include a management entity and related disclosures of transactions with a management entity. The amendments are effective annual periods beginning on or after July 1, 2014. The adoption of this amendments had no impact on the amounts recorded in the financial statements for the year ended March 31, 2016

The Company has reviewed amendments to accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

### 3. Recently adopted accounting standards and accounting standards issued but not yet effective (cont'd)

#### **IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, de-recognition and general hedge accounting. IFRS 9 is effective for annual period beginning on or after January 1, 2018.

#### **IFRS 11 Joint Arrangements**

Amendments to IFRS 11 Joint Arrangements clarify the accounting for acquisitions of interests in joint operations. The amendments are effective for annual period beginning on or after January 1, 2016.

#### **IFRS 15 Revenue from Contracts with Customers**

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15 Revenue from Contracts with Customers, which specifies how and when an entity will recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. IFRS 15 is effective for annual period beginning on or after January 1, 2018.

#### **IFRS 16 - Leases**

This new standard was issued with the objective to recognize all leases on the balance sheet. IFRS 16 requires lessees to recognize a "right of use" asset and a lease liability calculated using a prescribed methodology. The mandatory effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019. Early adoption is permitted provided that IFRS 15, Revenue from Contracts with Customers, is also adopted.

#### **IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets**

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets clarify acceptable methods of depreciation and amortization. The amendments are effective for annual periods beginning on or after January 1, 2016.

The Company is currently assessing the impact these standards and amendments may have on its financial statements.

### 4. Receivables

The Company's receivables consist of GST receivable due from the Government of Canada.

### 5. Exploration and evaluation assets

	Balance March 31, 2015	Acquisition costs	Exploration expenditures	Write Down	Balance March 31, 2016
Dickens Lake (a)	\$ 310,274	\$ -	\$ 18,000	-	\$ 328,274
Fond du Lac (b)	32,000	-	-	(32,000)	-
Brown Lake (c)	28,000	-	-	(28,000)	-
	<b>\$ 370,274</b>	<b>\$ -</b>	<b>\$ 18,000</b>	<b>-</b>	<b>\$ 328,274</b>

## 5. Exploration and evaluation assets (cont'd)

### a) Dickens Lake Property

Pursuant to the Arrangement Agreement (Note 1), the Company acquired a 100% interest in the Dickens Lake Property, located in Saskatchewan, Canada. As consideration, the Company issued 3,182,750 common shares to Unity, with a fair value of \$1,466,749. The fair value of the common shares was equal to Unity's carrying value of the Dickens Lake Property. The Company also received a cash payment of \$200,000 from Unity, which has been recorded in reserves.

Pursuant to the Farm-out Agreement, the Company transferred a 10% interest in the Dickens Lake Property to Unity, and received a cash payment of \$205,000 from Unity, to be expended on exploration and development work, which has been applied against the carrying value of the Dickens Lake Property.

The Dickens Lake Property is subject to a 2% net smelter royalty ("NSR"), which may be purchased by the Company for \$1,500,000.

On June 2, 2015, the Company allowed the reduction of the following claims for the Company's Dickens Lake Property due to cash conservation purposes and a lack indicated resources:

Old Claim Number	Old Claim Size (Ha)	New Claim Number	New Claim Size (Ha)
S-111354	1,181	S-113940	274
S-112212	2,164	S-113941	56
S-112210	1,464	S-113942	699
S-112211	1,250	S-113943	440

None of these claims will have any effect on the existing property purchase agreement for the Dickens Lake Property with Unity Resource Corp.

During the year ended March 31, 2016, the Company incurred \$18,000 (2015 - \$18,000) in exploration expenditures on the Dickens Lake Property.

During the year ended March 31, 2016, the Company recorded \$Nil (2015 - \$969,475) in impairment charges associated with the Dickens Lake Property. The 2015 impairment charges were recognized as a result of the June 2, 2015 claim reductions.

### b) Fond du Lac Property

On January 21, 2014, as approved by the TSX-V on February 5, 2014, the Company entered into an option agreement to earn a 100% interest in the Brown Lake Property, located in Saskatchewan, Canada, for the following consideration:

- Issuance of 400,000 common shares within 5 days of TSX-V approval (issued, with a fair value of \$32,000) within 5 days of TSX-V approval;
- \$1,500,000 completed in exploration expenditures on or before January 21, 2017.

During the year ended March 31, 2016, the Company incurred \$Nil (2015-\$Nil) in exploration expenditures on the Fond du Lac Property. During the year ended March 31, 2016 the Company wrote off the property as it does not plan on developing the claims.

**5. Exploration and evaluation assets (cont'd)**

**c) Brown Lake Property**

On February 12, 2014, as approved by the TSX-V on February 20, 2014, the Company entered into an option agreement to earn a 100% interest in the Brown Lake Property, located in Saskatchewan, Canada, for the following consideration:

- Issuance of 400,000 common shares within 5 days of TSX-V approval (issued, with a fair value of \$28,000) within 5 days of TSX-V approval;
- \$500,000 completed in exploration expenditures on or before February 12, 2017.

During the year ended March 31, 2016, the Company incurred \$Nil (2015-\$Nil) in exploration expenditures on the Brown Lake Property. During the year ended March 31, 2016 the Company wrote off the property as it does not plan on developing the claims.

**6. Share capital**

***Authorized share capital***

Unlimited number of common shares without par value

***Issued share capital***

**2014:**

- 275,000 shares with a fair value of \$22,000 pursuant to the Eisler Lake Property option agreement.
- 400,000 shares with a fair value of \$32,000 pursuant to the Fond du Lac Property option agreement.
- 400,000 shares with a fair value of \$28,000 pursuant to the Brown Lake Property option agreement.

**2015:**

- There were no share capital transactions during the year ended March 31, 2015.

**2016:**

- There were no share capital transactions during the year ended March 31, 2016.



## 6. Share capital (cont'd)

The Company had received subscription proceeds during the year ended March 31, 2014 in advance of a private placement that occurred in May 31, 2016. The Company intended to raise up to \$350,000 by selling a minimum of 7,000,000 units at a price of \$0.05 per unit. On September 23, 2014 the Company withdrew its private placement previously announced on March 17, 2014 and February 20, 2014. Subscription agreements received in advance are to be refunded in full as applicable.

### **Basic and diluted loss per share**

The weighted average number of common shares outstanding at March 31, 2016, is 4,757,750 (March 31, 2015 – 4,757,750).

### **Reserves**

The reserves account records items of capital donated to the Company recognized as stock-based compensation expense and other share-based payments. During the year ended March 31, 2013, the Company received a cash payment of \$200,000 from Unity, which has been recorded in reserves (Note 6).

## 7. Trade and other payables

	March 31, 2016	March 31, 2015
Trades payable	\$ 198,494	\$ 56,994
Accrued liabilities	7,000	102,175
	<b>\$ 205,494</b>	<b>\$ 159,169</b>

## 8. Related party transactions

The Company had the following transactions with key management personnel:

	March 31, 2016	March 31, 2015
Consulting fees paid to a common director	3,600	3,600
Consulting fees paid to a company controlled by a common director	18,000	18,000
Management fees paid to a common director	30,000	30,000
Office services paid to a company controlled by a common director	27,500	-
Accounting services paid to a common director	1,350	-
	<b>\$ 80,450</b>	<b>\$ 51,600</b>

At March 31, 2016, an amount of \$5,400 (2015- \$1,800) was owing to a director of the Company and an amount of \$33,885 (2015- \$13,560) was owing to a Company controlled by a common director. An amount of \$94,500 (2015- \$63,000) was owing to a Company controlled by a common director. An amount of \$50,000 (2015- \$33,500) was owing to the President of the Company. An amount of \$11,270 (2015- \$Nil) was loaned to the company from the President of the Company and is included in loan payable on the statement of financial position. The loan carries an interest rate of 10% per annum and is due on demand.

## **8. Related party transactions (Cont'd)**

These transactions were in the normal course of operations and were measured at the exchange amount which is the amount established and agreed to by the related parties.

## **9. Loans Payable**

During the year ended March 31, 2015 \$11,270 (2014 - \$nil) was loaned to the company from the President of the Company. The loan is unsecured, carries an interest rate of 10% per annum and is due on demand.

During the year ended March 31, 2016 \$10,000 (2015- \$Nil) was loaned to the company from an unrelated third party. The loan is unsecured, carries an interest rate of 4% per annum and is due on demand.

During the year ended March 31, 2016 \$10,000 (2015- \$Nil) was loaned to the company from an unrelated third party. The loan is unsecured, non-interest bearing and is due on demand.

## **10. Capital management**

The Company manages its capital structure, consisting of share capital, and will make adjustments to it depending on the funds available to the Company for its future acquisition, exploration and development of exploration and evaluation assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is dependent on external financing to fund its activities. In order to carry out its planned exploration and pay for future general and administrative expenses, the Company expects to raise additional amounts through related parties, advances or private placements as needed. The Company will continue to assess new exploration and evaluation assets and seeks to acquire additional interests if sufficient geologic or economic potential is established and adequate financial resources are available.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year ended March 31, 2016.

## **11. Financial risk**

### Fair value

The Company's financial instruments consisted of cash and short-term investments. The fair values of cash and short-term investments approximate their carrying values because of their current nature.

### Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and short-term investments which are being held in bank accounts. The cash and short-term investments are deposited in bank accounts held with one major bank in Canada so there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. The Company has secondary exposure to risk on its sales tax receivables. The risk is minimal since it is recoverable from the Canadian government.

## 11. Financial risk (Cont'd)

### Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Company's functional currency. The Company only operates in Canada and is therefore not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash at variable rates. The risk is minimal.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company attempts to ensure there is sufficient access to funds to meet on-going business requirements, taking into account its current cash position and potential funding sources. Liquidity risk is assessed as high.

## 12. Subsequent events

On April 16, 2016, the Company agreed to settle its debt of \$6,300 owing to a related party by assigning the debt amount to a third party in consideration for \$2,000.

On April 26, 2016, the Company agreed to settle its debt of \$22,500 owing to a company controlled by a common director by assigning the debt amount to a third party in consideration for \$5,000.

On April 27, 2016, the Company received a loan of \$10,000 from a third party company, with no fixed terms and repayable upon demand.

On April 29, 2016, the Company agreed to settle its debt of \$92,500 owing to a company controlled by a common director by assigning the debt amount to a third party in consideration for \$24,000. Additionally, the Company agreed to settle another debt of \$42,500 owing to a related party by assigning the debt amount to a third party in consideration for \$5,000.

On May 3, 2016, the Company announced its intention to raise up to \$80,000 by selling up to an aggregate of 1,600,000 units at a price of \$0.05 per unit. Each unit consisted of one non-flow through share and one transferable share purchase warrant. Each warrant will be exercisable for five years from the date of closing at a price of \$0.06 per warrant. On May 31, 2016, the Company received TSX Venture Exchange Approval. Upon closing the Company raised \$77,500 through the sale of 1,550,000 units at a price of \$0.05 per unit. No finder's fees were payable in connection with this placement. All securities issued in connection with the offering were subject to statutory hold period of four months plus a day from the respective date of issuance, in accordance with applicable securities legislation.

### 13. Segmented information

The Company has one operating segment which is exploration and development of mineral property interest in the Province of Saskatchewan.

### 14. Income tax

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statements of operations for the years ended March 31, 2016 and 2015:

	May 31, 2016	May 31, 2015
Loss for the period	\$ (147,945)	\$ (1,409,515)
Statutory tax rate	26%	26%
Expected income tax recovery	(38,466)	(366,474)
Non- deductible items	-	26
Change in estimates	(39,039)	-
Change in tax rates	-	1,719
Change in deferred tax asset not recognized	77,505	364,729
Total income taxes (recovery)	\$ -	\$ -

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax assets (liabilities) at March 31, 2016 and 2015 are comprised of the following:

	May 31, 2016	May 31, 2015
Non- capital losses carryforwards	\$ 130,612	\$ 117,327
Exploration and evaluation properties	402,715	338,495
Deferred tax asset not recognized	(533,327)	(455,822)
Net deferred tax asset (liability)	\$ -	\$ -

**14. Income tax (Cont'd)**

The Company has non capital loss carryforwards of approximately \$502,355 (2015: \$451,259) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	Loss carry- forwards
2033	\$ 103,533
2034	240,215
2035	70,662
2036	87,945
Total	\$ 502,355