VOLCANIC
GOLD MINES INC.

(formerly Volcanic Metals Corp.)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED DECEMBER 31, 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Volcanic Gold Mines Inc.
(formerly Volcanic Metals Corp.)

We have audited the accompanying consolidated financial statements of Volcanic Gold Mines Inc. (formerly Volcanic Metals Corp.), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity 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 consolidated 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, these consolidated financial statements present fairly, in all material respects, the financial position of Volcanic Gold Mines Inc., as at December 31, 2016 and 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 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the ability of Volcanic Gold Mines Inc. to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

March 13, 2017

VOLCANIC GOLD MINES INC. (FORMERLY VOLCANIC METALS CORP.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

	December 31, 2016	December 31, 2015
ASSETS		
Current		
Cash	$ 472,746	$ 416,759
Receivables and prepaid expenses	6,973	1,757
	$ 479,719	$ 418,516
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 311,424	$ 122,245
Shareholders' equity		
Share capital (Note 6)	5,408,551	5,408,551
Subscriptions received in advance (Note 6)	301,567	-
Reserves (Note 6)	104,517	104,517
Deficit	(5,646,340)	(5,216,797)
	168,295	296,271
	$ 479,719	$ 418,516

Nature and continuance of operations (Note 1)
Subsequent events (Notes 4 and 11)

Approved and authorized by the Board on March 13, 2017.

"Michael Iverson"	Director	*"Scott Ackerman"*	Director
Michael Iverson		Scott Ackerman	

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

VOLCANIC GOLD MINES INC. (FORMERLY VOLCANIC METALS CORP.)
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31

	2016	2015
EXPENSES		
Consulting and management fees (Note 5)	$ 60,000	$ 60,000
Investor relations	-	1,016
Office and administration	9,003	4,951
Professional fees	59,840	24,537
Property investigation (Note 4)	247,254	5,456
Regulatory and filing fees	20,507	13,047
Rent (Note 5)	6,000	6,000
Travel	35,877	-
Loss before other items	(438,481)	(115,007)
OTHER ITEMS		
Foreign exchange	-	(1,088)
Recovery on write-off of accounts payable	8,938	-
	8,938	(1,088)
Loss and comprehensive loss for the year	$ (429,543)	$ (116,095)
Basic and diluted loss per common share	$ (0.03)	$ (0.01)
Weighted average number of common shares outstanding	14,629,266	14,629,266

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

VOLCANIC GOLD MINES INC. (FORMERLY VOLCANIC METALS CORP.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
FOR THE YEAR ENDED DECEMBER 31

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (429,543)	$ (116,095)
Items not affecting cash:		
Recovery on write-off of accounts payable	(8,938)	-
Non-cash working capital item changes:		
Receivables and prepaid expenses	(5,216)	(424)
Accounts payables and accrued liabilities	198,117	65,171
Net cash used in operating activities	(245,580)	(51,348)
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscriptions received in advance	301,567	-
Share issuance costs	-	(9,734)
Net cash used in financing activities	301,567	(9,734)
Change in cash for the year	55,987	(61,082)
Cash, beginning of year	416,759	477,841
Cash, end of year	$ 472,746	$ 416,759

Supplemental disclosure with respect to cash flows (Note 10)

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

VOLCANIC GOLD MINES INC. (FORMERLY VOLCANIC METALS CORP.)
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Share Capital					
	Number	**Amount**	**Subscriptions received in advance**	**Reserves**	**Deficit**	**Total**
Balance, December 31, 2014	14,629,266	$ 5,408,551	$ -	$ 104,517	$ (5,100,702)	$ 412,366
Loss for the year	-	-	-	-	(116,095)	(116,095)
Balance, December 31, 2015	14,629,266	5,408,551	-	104,517	(5,216,797)	296,271
Subscriptions received in advance	-	-	301,567	-	-	301,567
Loss for the year	-	-	-	-	(429,543)	(429,543)
Balance, December 31, 2016	14,629,266	$ 5,408,551	$ 301,567	$ 104,517	$ (5,646,340)	$ 168,295

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Volcanic Gold Mines Inc. is a publicly listed exploration company incorporated in Canada under the British Columbia Corporations Act on April 25, 2007. The Company together with its subsidiary (collectively referred to as the "Company") is principally engaged in acquisition and exploration of resource properties. The Company previously operated under "Volcanic Metals Corp."; it changed its name to Volcanic Gold Mines Inc. on January 19, 2017 and began trading under the symbol "VG" on the TSX Venture Exchange.

The head office, principal address and records office of the Company are located at 200 Burrard Street, Suite 650, Vancouver, British Columbia, V6C 3L6, Canada.

The Company's financial statements and those of its controlled subsidiary ("consolidated financial statements") are presented in Canadian dollars.

During the year ended December 31, 2016 the Company was in the process of investigating potential new acquisitions and evaluating resource properties. During the year ended December 31, 2016, the Company entered into an agreement to acquire an interest in a property in Guinea (Note 4).

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have the financial resources to sustain operations in the long-term. While the Company has been successful in obtaining its required funding in the past, there is no assurance that such future financing will be available or be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. These material uncertainties may cast significant doubt about the ability of the Company to continue as a going concern.

The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, necessary financings, or generate profitable operations in the future.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Use of Estimates and Critical Judgments

Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

2. BASIS OF PREPARATION (cont'd…)

Use of Estimates and Critical Judgments (cont'd…)

Critical accounting judgements

The determination of income tax is inherently complex and requires making certain judgements about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the financial statements of the Company and the entity controlled by the Company (Note 5). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operations and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in International Accounting Standards ("IAS") 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of loss and comprehensive loss.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial assets (cont'd…)

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Other financial liabilities: This category includes accounts payables and accrued liabilities, which is recognized at amortized cost.

The Company has classified its cash as fair value through profit and loss. The Company's receivables are classified as loans and receivables. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Exploration and evaluation - mineral properties

Pre-exploration costs are expensed as incurred. Costs related to the acquisition of mineral properties are capitalized by property, and costs related to the exploration of mineral properties are expensed as incurred, until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the mineral property. If payments received exceed the capitalized cost of the mineral property, the excess is recognized as income in the year received. The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants, and similar instruments is computed using the treasury stock method. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Decommissioning provision

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of mineral properties, oil and gas interests, and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as the related asset.

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

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

Share-based payments

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share-based payments (cont'd…)

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. On the exercise of stock options, the applicable amounts of reserves are transferred to share capital and consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments, such as stock options and warrants, are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received. Upon expiry or forfeiture, the recorded value is transferred to deficit for stock options or share capital for warrants.

Income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not recognize the asset.

New standards, interpretations and amendments adopted

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2015. There were no new standards and interpretations effective as of January 1, 2016 that would be applicable to the Company.

New standards not yet adopted

Certain pronouncements were issued by the IASB or IFRIC that are not mandatory for accounting periods beginning on or after January 1, 2016 or later periods. They have not been early adopted in these financial statements. In all cases the Company intends to apply these standards from application date as indicated below:

IFRS 9, Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has not yet made an assessment of the impact of the amendments.

There are no other IFRSs or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. MINERAL PROPERTIES

During the year ended December 31, 2016 the Company entered in an assignment agreement with Radius Gold Inc. (“Radius”), pursuant to which the Company was assigned a purchase agreement to acquire the Mandiana project, a gold property located in Guinea, from Sovereign Mines of Africa PLC (“SMA”).

Subsequent to December 31, 2016, the Company completed the transaction and acquired all of the outstanding share capital of SMA's wholly owned subsidiary, Sovereign Mines of Africa Ltd. (“Sovereign Mines”), which holds a 75-per-cent interest in a series of exploration permits located in Guinea commonly referred to as the Mandiana project. The remaining interest in the Mandiana project is held by SOGUIPAMI, a government-owned business entity in Guinea formed to conduct mineral exploration projects.

In consideration for acquiring the outstanding share capital of Sovereign Mines and for the assignment by Radius, the Company has agreed to issue common shares to SMA and Radius such that SMA will hold 9.9 per cent and Radius will hold 5.0 per cent of the outstanding share capital of the Company following completion of the transaction (2,502,489 common shares and 1,263,883 common shares issued to SMA and Radius, respectively, subsequent to December 31, 2016). The Company will also reimburse Radius for certain expenses incurred in the development of the transaction and will grant to Radius certain rights to participate in future equity financings completed by the Company. Each of SMA, Sovereign Mines and Radius are at arm's length to the Company.

In connection with the transaction, subsequent to December 31, 2016, the Company completed a non-brokered private placement of 6,666,667 units at $0.15 per unit for proceeds of $1,000,000 (Note 11).

As at December 31, 2016, the Company has incurred $247,254 in property investigation costs.

5. RELATED PARTY TRANSACTIONS

The financial statements include the financial statements of Volcanic Gold Mines Inc. and its 100% owned mineral exploration Albanian subsidiary Cougar Mining Sh.p.k.

The remuneration of the key management personnel, comprised of the directors and officers is as follows:

a) Paid or accrued management fees of $60,000 (2015 - $60,000) to an officer of the Company.

b) Paid or accrued accounting fees of $9,190 (2015 - $9,845) to a company controlled by the CFO of the Company.

c) Paid or accrued rent of $6,000 (2015 - $6,000) to a company controlled by the CEO of the Company.

Included in accounts payable at December 31, 2016 was $160,000 (2015 - $96,021) payable to directors and officers of the Company.

6. SHAREHOLDERS’ EQUITY

a) Issued share capital

Private placements

The Company did not complete any private placements during the year ended December 31, 2016 or the year ended December 31, 2015.

In connection with the Guinea property acquisition (Note 4), subsequent to December 31, 2016, the Company completed a non-brokered private placement of 6,666,667 units at $0.15 per unit for proceeds of $1,000,000 (Note 11). During the year ended December 31, 2016, the Company received $301,567 in relation to this private placement, which has been recorded as subscriptions received in advance as at December 31, 2016.

(Expressed in Canadian Dollars)

6. SHAREHOLDERS EQUITY (cont'd...)

b) Stock options

The Company has a stock option plan whereby options may be granted to directors, employees, consultants and certain other service providers to encourage ownership of the Company's common shares. The Company can grant options for up to 10% of the issued and outstanding common shares. The term of any option granted under the Stock Option Plan may not exceed 5 years. The vesting periods for all options granted pursuant to the Stock Option Plan will be determined at the discretion of the Board of Directors at the time of the grant. The number of options granted to any one person may not exceed 5% of the outstanding listed common shares in a 12 month period.

The following is a summary of stock options outstanding as at December 31, 2016 and December 31, 2015 and changes during the periods then ended:

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2014	85,000	$	1.60
Cancelled/expired	(85,000)		1.60
Balance, outstanding and exercisable at December 31, 2015 and December 31, 2016	-	$	-

The Company recognizes share-based payments expense for all stock options granted using the fair value based method of accounting. There were no stock options granted or vested during the year ended December 31, 2016 or the year ended December 31, 2015.

c) Warrants

The following is a summary of warrants outstanding as at December 31, 2016 and December 31, 2015 and changes during the periods then ended:

	Number of Warrants		Weighted Average Exercise Price
Balance, December 31, 2014	11,340,000	$	0.10
Cancelled/expired	(1,340,000)		0.50
Balance outstanding and exercisable, December 31, 2015 and December 31, 2016	10,000,000	$	0.05

At December 31, 2016 the following warrants were outstanding:

	Number outstanding and exercisable		Exercise Price	Expiry Date
Warrants	10,000,000	$	0.05	January 17, 2019*

* during the year ended December 31, 2016, the Company extended the expiry date to from January 17, 2017 to January 17, 2019

(Expressed in Canadian Dollars)

7. INCOME TAXES

A reconciliation of income taxes (recovery) at statutory rates with the reported taxes for the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Loss before income taxes	$ (429,543)	$ (116,095)
Expected income tax (recovery)	$ (112,000)	$ (30,000)
Non-deductible and other items	(1,000)	(1,000)
Change in income tax rates	-	1,000
Change in unrecognized deductible temporary differences	113,000	30,000
Income tax recovery	$ -	$ -

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	2016	Expiry Date Range	2015
Exploration and evaluation assets	$ 190,000	N/A	$ 190,000
Investment tax credits	4,000	2020-2035	4,000
Property and equipment	5,000	N/A	5,000
Share issue costs	6,000	2037-2038	10,000
Non-capital losses	2,751,000	2027-2036	2,312,000
	$ 2,956,000		$ 2,521,000

8. SEGMENT INFORMATION

The Company operates in one reportable operating segment, being the acquisition, exploration, and evaluation of resource properties in two geographical locations, being Canada and Guinea.

9. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial assets and liabilities are classified in the in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significant of a particular input to the fair value measurement requires judgement and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quotes prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of receivables and accounts payable and accrued liabilities approximates fair value due to the short term nature of the financial instruments. Cash is valued at a level 1 fair value measurement and is classified as fair value through profit or loss. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities are classified as other financial liabilities.

9. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

Risk management

The Company is exposed to varying degrees to a variety of financial instrument related risks:

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held at large Canadian financial institution in interest bearing accounts. The Company has no investment in asset backed commercial paper.

The Company's receivables consist mainly of Goods and Services Tax receivable from the government of Canada.

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 manages liquidity risk through its capital management as outlined below. Accounts payable and accrued liabilities are due within one year.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on cash. The Company's practice has been to invest cash at floating rates of interest, in order to maintain liquidity, while achieving a satisfactory return for shareholders. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash as they are generally held with large financial institutions. As at December 31, 2016, the Company is not exposed to significant interest rate risk.

b) Foreign currency risk

The majority of purchases are transacted in the Canadian dollar. Management believes the foreign exchange risk derived from currency conversions is not significant and therefore does not hedge its foreign exchange risk.

c) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly gold. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue acquisition, exploration and development of mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity.

9. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd...)

Risk management (cont'd...)

Capital management (cont'd...)

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

10. SUPPLEMENTARY CASH FLOW INFORMATION

No cash was paid for interest or taxes for the years ended December 31, 2016 and 2015.

There were no significant non-cash investing and financing transactions during the years ended December 31, 2016 and 2015.

11. SUBSEQUENT EVENTS

Subsequent to December 31, 2016, the Company:

a) Completed a private placement of 6,666,667 units at $0.15 per unit for total gross proceeds of $1,000,000, of which $301,567 had been received prior to December 31, 2016 and recorded as subscriptions received in advance. Each unit consists of one common share and one-half of one warrant, each whole warrant exercisable into one common share at $0.25 per share until January 5, 2018. The warrants are subject to an acceleration provision such that if the closing price of the Company's shares for 10 consecutive trading days is $0.40 or greater, the Company may give notice to the holders of the warrants that the warrants will expire 30 calendar days after receipt of such notice. In connection with the financing, the Company paid a cash commission totalling $9,765 and issued 241,733 common shares and 427,700 agent warrants, each warrant exercisable at $0.25 per share until January 5, 2018 and subject to the same acceleration provision as above.

b) Completed a private placement of 12,500,000 units at $0.40 per unit for proceeds of $5,000,000. Each unit consists of one common share and one full warrant, each warrant exercisable into one common share of the Company at a price of $0.80 per share for a period of five years. The warrants are subject to an acceleration provision such that if the closing price of the Company's shares for 10 consecutive trading days is $1.00 or greater, the Company may give notice to the holders of the warrants that the warrants will expire 30 calendars days after receipt of such notice. In connection with the financing, the Company paid a cash commission totalling $220,262 and issued 550,655 agent warrants, each warrant exercisable at $0.80 for a period of five years and subject to the same acceleration provision as above.

c) Issued 8,000,000 common shares upon exercise of 8,000,000 warrants at a price of $0.05 per share.