BLACKHEATH RESOURCES INC.

FINANCIAL STATEMENTS

31 DECEMBER 2016 and 2015

April 20, 2017

Independent Auditor's Report

To the Shareholders of Blackheath Resources Inc.

We have audited the accompanying consolidated financial statements of Blackheath Resources Inc., which comprise the consolidated balance sheets as at December 31, 2016 and December 31, 2015 and the consolidated statements of changes in shareholders' equity, loss and comprehensive loss and cash flows for the years then ended, and the related notes, which comprise 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.

Auditor's 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 auditor's 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.

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Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Blackheath Resources Inc. as at December 31, 2016 and December 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 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

BLACKHEATH RESOURCES INC.

BALANCE SHEETS

AS AT 31 DECEMBER

Canadian Dollars

ASSETS	2016	2015
Current		
Cash and cash equivalents	$ 119,010	$ 187,154
Receivables	36,879	37,705
Prepaid expenses	9,709	28,191
	165,598	253,050
Performance deposits *(Note 6)*	170,028	180,348
Equipment	5,326	5,664
	$ 340,952	$ 439,062

LIABILITIES		
Current		
Accounts payable and accrued liabilities *(Note 8)*	$ 135,180	$ 175,122
SHAREHOLDERS' EQUITY		
Share capital *(Note 4)*	7,619,137	6,986,749
Contributed surplus *(Note 4)*	665,478	588,135
Deficit	(8,078,843)	(7,310,944)
	205,772	263,940
	$ 340,952	$ 439,062

Nature of operations and going concern *(Note 1)*
Commitments *(Note 7)*

ON BEHALF OF THE BOARD:

___*"James Robertson"*_____________, Director

___*"Kerry Spong"*_________________, Director

- See Accompanying Notes -

BLACKHEATH RESOURCES INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED 31 DECEMBER

Canadian Dollars

	Number of Shares		Share Capital *(Note 4)*		Contributed Surplus *(Notes 4,5)*		Subscriptions Received in Advance *(Note 4)*		Deficit		Total
Balance – 31 December 2014	29,290,452	$	6,196,384	$	424,765	$	200,000	$	(6,094,705)	$	726,444
Private placement - units	552,500		218,467		2,533		(200,000)		-		21,000
Share issuance costs	-		(21,568)		-		-		-		(21,568)
Private placement - units	5,324,523		638,943		-		-		-		638,943
Finders' warrants issued	-		-		4,265		-		-		4,265
Share issuance costs	-		(45,477)		-		-		-		(45,477)
Share-based compensation	-		-		156,572		-		-		156,572
Loss and comprehensive loss for the year	-		-		-		-		(1,216,239)		(1,216,239)
Balance – 31 December 2015	35,167,475		6,986,749		588,135		-		(7,310,944)		263,940
Private placement - units	7,000,000		700,000		-		-		-		700,000
Finders' shares issued	28,700		3,731		-		-		-		3,731
Finders' warrants issued	-		-		12,038		-		-		12,038
Share issuance costs	-		(71,343)		-		-		-		(71,343)
Share-based compensation	-		-		65,305		-		-		65,305
Loss and comprehensive loss for the year	-		-		-		-		(767,899)		(767,899)
Balance – 31 December 2016	42,196,175	$	7,619,137	$	665,478	$	-	$	(8,078,843)	$	205,772

BLACKHEATH RESOURCES INC.

STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE YEARS ENDED 31 DECEMBER

Canadian Dollars

		2016		2015
Expenses				
Accounting and audit	$	21,076	$	23,500
Consulting		19,674		59,354
Depreciation		1,913		2,249
Dues and subscriptions		864		10,617
Exploration and evaluation *(Note 6)*		308,509		385,052
Foreign exchange loss		12,198		4,391
Legal fees		4,417		15,467
Management and director fees *(Note 8)*		252,000		340,500
Office and general		22,380		29,000
Promotion and investor relations		10,196		92,174
Rent and office services		24,891		29,654
Share-based compensation *(Note 5)*		65,305		156,572
Shareholder communications		3,667		9,922
Stock exchange and filing		9,402		9,447
Transfer agent		8,168		9,839
Travel and accommodation		11,239		38,501
Loss before other item		775,899		1,216,239
Gain on forgiveness of debt *(Note 8)*		(8,000)		-
Loss and comprehensive loss for the year	$	767,899	$	1,216,239
Loss per share – basic and diluted	$	0.02	$	0.04
Weighted-average number of shares outstanding – basic and diluted		38,962,395		30,451,561

- See Accompanying Notes -

BLACKHEATH RESOURCES INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER

Canadian Dollars

CASH RESOURCES PROVIDED BY (USED IN)		2016		2015
Operating activities				
Loss for the year	$	(767,899)	$	(1,216,239)
Items not involving cash:				
Share-based compensation		65,305		156,572
Unrealized foreign exchange loss (gain)		10,320		(7,502)
Gain on forgiveness of debt		(8,000)		-
Deferred transaction costs written off		-		28,857
Depreciation		1,913		2,249
Changes in non-cash working capital				
Receivables		826		135,472
Prepaid expenses		18,482		26,158
Accounts payable and accrued liabilities		(31,942)		(98,829)
		(710,995)		(973,262)
Investing activities				
Equipment		(1,575)		-
Performance deposits		-		(74,580)
		(1,575)		(74,580)
Financing activities				
Shares/units issued for cash		700,000		647,443
Share issuance costs		(55,574)		(62,780)
		644,426		584,663
Change in cash position for the year		(68,144)		(463,179)
Cash position - beginning of year		187,154		650,333
Cash position - end of year	$	119,010	$	187,154

Supplemental schedule of non-cash financing transactions				
Shares issued as finders' fees	$	3,731	$	-
Warrants issued as finders' fees	$	12,038	$	4,265

1. NATURE OF OPERATIONS AND GOING CONCERN

Blackheath Resources Inc. (the "Company") is a mineral exploration company and is considered to be in the exploration stage with respect to its mineral property interests in Portugal. Based on the information available to date, the Company has not yet determined whether its mineral properties contain economically recoverable ore reserves. The Company's continuing operation is dependent upon the determination of economically recoverable reserves, the ability of the Company to obtain the financing necessary to maintain operations and successfully complete its exploration and development, and the attainment of future profitable production. The Company is incorporated under the British Columbia Business Corporations Act and its registered office is located at 10th Floor – 595 Howe Street, Vancouver, British Columbia, Canada.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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. Several adverse conditions and material uncertainties cast significant doubt upon the validity of this assumption. The Company has no source of operating revenue, is unable to self-finance operations, and has significant cash requirements to maintain its mineral interests *(Note 6)* and overhead requirements. The Company has incurred operating losses since inception. As at 31 December 2016, the Company had an accumulated deficit of $8,078,843 (2015 - $7,310,944) and working capital of $30,418 (2015 - $77,928). The Company's working capital resources are insufficient to meet its overhead requirements and exploration programmes for the ensuing twelve months.

The Company was required to make significant expenditures by 31 July 2016 in order to keep all of its property agreements in good standing. During the year, the Company received relief from certain expenditure requirements on its Covas, Bejanca, Borralha, and Vale das Gatas properties. As at 31 December 2016, the Company was in arrears of these requirements in respect of the Covas property by approximately $5,000 (€3,000); the Company intends to incur these arrears within an acceptable period of time in order to maintain its interest in this property *(Note 6)*.

While the Company has been successful in the past at raising funds, there can be no assurance that it will be able to do so in the future or that such funding will be completed on favourable terms. If for any reason the Company is unable to secure the additional sources of financing and continue as a going concern, then this could result in adjustments to the amounts and classifications of assets and liabilities in the Company's financial statements; such adjustments could be material.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

The Company's board of directors approved these financial statements for issue on 20 April 2017.

Basis of measurement

These financial statements have been prepared under the historical cost convention.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *- continued*

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in nominal value.

Financial instruments

All financial instruments are designated to one of five categories: fair value through profit or loss, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. Financial instruments designated as fair-value-through-profit-or-loss and derivatives are measured at fair value. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income.

The Company's financial assets and liabilities are classified in accordance with a fair value hierarchy, which establishes three levels to classify the inputs to valuation techniques used to measure fair value as follows: Level 1 – valuation based on unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 – valuation based on inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and Level 3 – valuation based on inputs that are not based on observable market data.

Equipment

Equipment includes computers, furniture and equipment used at the Company's corporate offices. These assets are recorded at cost and depreciated over their estimated useful life using the declining balance method at rates ranging from 20% to 45% per annum.

Exploration and evaluation

The Company is currently in the exploration stage with its mineral interests. Exploration and evaluation costs include the costs of acquiring licenses, option payments, costs incurred to explore and evaluate properties, and the fair value, upon acquisition, of mineral properties acquired in a business combination.

Exploration and evaluation expenditures are expensed in the period they are incurred except for expenditures associated with the acquisition of exploration and evaluation assets through a business combination. Significant property acquisition costs are capitalized only to the extent that such costs can be directly attributed to an area of interest where it is considered likely that such costs will be recoverable through future exploitation or sale. Development costs relating to specific properties are capitalized once management has made a development decision.

From time to time, the Company may acquire or dispose of mineral interests pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded in the period that the payments are made or received. The Company does not accrue costs to maintain mineral interests in good standing.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

Foreign currency translation

The Company considers its functional currency to be the Canadian dollar. Transactions denominated in foreign currencies are translated at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Translation gains and losses are reflected in profit or loss for the period.

Restoration provisions

The Company recognizes liabilities for legal, statutory, contractual, and constructive obligations associated with the reclamation or rehabilitation of mineral property interests that the Company is required to settle. The Company recognizes liabilities for such obligations in the period in which they occur or in the period in which a reasonable estimate of such costs can be made. The obligation is estimated using a discounted cash flow measurement model using a risk-free discount rate and is recorded as a liability with a corresponding charge to operations. The Company has determined that it has no restoration obligations as at 31 December 2016.

Income taxes

Current tax expense is calculated using income tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is accounted for using the liability method, which recognizes differences between the carrying amounts of assets and liabilities in the financial statements and the amounts used for tax purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences. Deferred tax assets are recognized only to the extent that sufficient taxable profits will be available against which the asset can be applied.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability will be settled or the asset realized, based on income tax rates and income tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in the period that the substantive enactment occurs. 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 balance sheet date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share-based compensation

The Company uses the fair value method whereby it recognizes share-based compensation costs over the vesting periods for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to share capital. The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of its share-based compensation. The fair value of each grant is measured at the grant date and where vesting is immediate, share-based compensation is recognized at the grant date. Where future vesting provisions exist, each tranche is recognized on a graded-vesting basis over the vesting period. At each reporting period-end, the amount recognized as an expense is adjusted to reflect the actual number of options that are expected to vest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *- continued*

Share capital

The proceeds from the exercise of stock options or warrants together with amounts previously recorded on the grant date or issue date are recorded as share capital. Share capital issued for non-monetary consideration is recorded at the fair value of the non-monetary consideration received, or at the fair value of the shares issued if the fair value of the non-monetary consideration cannot be measured reliably, on the date of issue. The Company uses the residual value approach in respect of unit offerings, whereby the amount assigned to the warrant is the excess of the unit price over the trading price of the Company's shares at the date of issuance, if any, to a maximum of the fair value of the warrant determined using the Black-Scholes Option-Pricing Model.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect is calculated on the use of the proceeds that would be obtained upon exercise of in-the-money options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Basic loss per share is calculated using the weighted-average number of shares outstanding during the period. Unexercised stock options have not been included in the computation of diluted loss per share as their effect would be anti-dilutive.

Significant accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of expenses during the period. Actual amounts could differ from these estimates.

The Company's most significant accounting judgements relate to the probability of recognition of the benefit of deferred tax assets and the determination of assumptions used to estimate share-based compensation. The Company has not recognized its deferred tax assets as management does not currently consider it probable that these assets will be recovered. The Company uses the Black-Scholes Option-Pricing Model to estimate the fair value of stock options, which requires the input of subjective assumptions including the expected price volatility of the Company's common shares, the expected life of the options, and the estimated forfeiture rate. Changes in these assumptions can materially affect the fair value estimate. Share-based compensation is a non-cash expense item that affects profit or loss and shareholders' equity, and has no effect upon the Company's assets or liabilities.

New accounting pronouncements

IFRS 9 – *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments,* bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's initiative to replace IAS 39 Financial Instruments – *Recognition and Measurement*. The effective date of IFRS 9 is for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Company has not early-adopted this standard, and is currently assessing the impact of adopting IFRS 9 on its financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

New accounting pronouncements - *continued*

IFRS 16 – *Leases*

In January 2016, the IASB issued IFRS 16 – *Leases*, according to which all leases will be presented on the balance sheet of lessees, except those that meet the limited exception criteria. Respectively, rent expense will be removed and replaced by the recording of depreciation and finance expenses. The standard is effective for annual periods beginning on or after 1 January 2019. The Company has not yet assessed the impact on its financial statements of adopting this standard.

3. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of the following:

		2016		2015
Cash and cash equivalents				
Cash on deposit	$	119,010	$	187,154
Receivables				
Value-added taxes	$	36,879	$	37,705
Performance deposits	$	170,028	$	180,348
Accounts payable and accrued liabilities				
Accounts payable	$	23,382	$	157,595
Accrued audit, legal, exploration, and other		111,798		17,527
	$	135,180	$	175,122

The Company has designated its financial instruments as follows:

Financial Asset or Liability	Designation
Cash and cash equivalents	Loans and receivables
Receivables	Loans and receivables
Performance deposits	Loans and receivables
Accounts payable	Other financial liabilities

The carrying values of cash and cash equivalents, receivables, and accounts payable approximate their fair values due to the short-term nature of these instruments. Performance deposits are non-interest bearing and refundable primarily upon the Company meeting its annual property expenditure requirements, which vary depending on the required expenditure levels and exploration progress on each of the Company's projects. Management considers the carrying value of performance deposits to approximate their fair value due to their relatively short-term nature. The Company has no speculative financial instruments, derivatives, forward contracts, or hedges. Except as described below, it is management's opinion that the Company is not exposed to significant credit, market, or liquidity risks in respect of these financial instruments.

3. FINANCIAL INSTRUMENTS - *continued*

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 Canadian cash is held through a major Canadian financial institution with a high investment grade rating. The Company also maintains cash denominated in euros that is held through a major bank in Portugal, which also has a high investment grade rating. The Company is carrying value-added taxes receivable of $33,403, which is refundable by the government of Portugal. To date, the Company has not experienced any delays in receiving such refunds. The carrying value of the Company's cash, receivables, and performance deposits totalling $325,917 represents the Company's maximum exposure to credit risk as at 31 December 2016.

The Company is exposed to market risk, which is the risk that the fair values of financial instruments will fluctuate with changes in market prices. The significant market risk to which the Company is exposed is currency risk. As at 31 December 2016, the Company held the equivalent of $16,640 in cash, $170,028 in performance deposits, $33,403 in receivables, and $56,687 in accounts payable, all of which are denominated in euros and therefore subject to currency risk due to fluctuations in the exchange rate with the Canadian dollar. Due to the size and nature of these balances and the volatility of the exchange rate between the dollar and the euro, such currency risk could result in future gains or losses to the Company. During 2016, the euro weakened against the Canadian dollar by approximately 5.7%. Based on the Company's euro denominated monetary assets and liabilities as at 31 December 2016, each 5% fluctuation in the exchange rate would result in a gain or loss of approximately $8,169. Except for the performance deposits, these balances turn over regularly and therefore prolonged exposure to currency risk is considered to be minimal. The Company maintains only the minimum amount of such balances required to maintain its ongoing exploration projects in Portugal and does not employ any forward contracts or hedges to manage its currency risk. Due to the size of these balances, the offsetting nature of the accounts payable balance, and the short-term nature of these items, the Company does not consider its currency risk in respect of these financial instruments to be significant.

The Company is subject to liquidity risk such that it may not be able to meets its obligations under its financial instruments as they fall due *(Note 1).* The Company manages this risk by maintaining cash and cash equivalent balances to ensure that it is able to meet its short- and long-term obligations as and when they fall due. Cash projections are regularly updated to reflect the dynamic nature of the business.

4. SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Number of Shares	Share Capital	Contributed Surplus
Authorized			
Unlimited common voting shares, without par value			
Issued and outstanding			
Balance – 31 December 2014	29,290,452	$ 6,196,384	$ 424,765
Private placement - units	552,500	218,467	2,533
Share issuance costs	-	(21,568)	-
Private placement - units	5,324,523	638,943	-
Finders' warrants issued	-	-	4,265
Share issuance costs	-	(45,477)	-
Share-based compensation	-	-	156,572
Balance – 31 December 2015	35,167,475	6,986,749	588,135
Private placement - units	7,000,000	700,000	-
Finders' shares issued	28,700	3,731	-
Finders' warrants issued	-	-	12,038
Share issuance costs	-	(71,343)	-
Share-based compensation	-	-	65,305
Balance – 31 December 2016	42,196,175	$ 7,619,137	$ 665,478

Private placements

In February 2015, the Company completed the second tranche of the private placement announced in December 2014 by issuing 552,500 units at a price of $0.40 per unit for gross proceeds of $221,000 (subscriptions of $200,000 were received in December 2014). Each unit comprised one common share of the Company and one-half of one non-transferable share purchase warrant with each whole warrant entitling the holder to purchase one additional common share of the Company at an exercise price of $0.53 per share until 24 August 2017. As the unit price of the placement was well in excess of the trading price of the Company's shares at the time of the announcement of the placement, the Company allocated $2,533 to the warrants representing the fair value of the warrants estimated using the Black-Scholes Option-Pricing Model with the following assumptions: risk-free interest rate of 0.46%, expected dividend yield of 0.00%, estimated stock price volatility of 54.77%, and expected option life of 1.5 years. Qualifying persons acting as finders in connection with the placement received a 6% cash commission of $12,000. The Company also paid legal and filing fees totalling $9,568 in respect of the placement.

In November 2015, the Company completed a non-brokered private placement of 5,324,523 units at a price of $0.12 per unit for gross proceeds of $638,943. Each unit comprised one common share of the Company and one non-transferable share purchase warrant entitling the holder to purchase one additional common share of the Company at an exercise price of $0.20 per share for a period of 24 months after closing. The Company also issued 184,050 warrants (the "Finders' Warrants") with each Finder's Warrant entitling the holder to purchase one common share of the Company at a price of $0.20 for a period of 24 months.

4. SHARE CAPITAL AND CONTRIBUTED SURPLUS – *continued*

Private placements – *continued*

The fair value of the Finders' Warrants was estimated at $4,265 using the Black-Scholes Option-Pricing Model with the following assumptions: risk-free interest rate of 0.62%, expected dividend yield of 0.00%, estimated stock price volatility of 53.13%, and expected option life of two years. Qualifying persons acting as finders in connection with the placement received a cash commission of up to 7% totalling $22,086. The Company also paid legal and filing fees totalling $19,126 in respect of the placement.

In June 2016, the Company completed a non-brokered private placement of 7,000,000 units at a price of $0.10 per unit for gross proceeds of $700,000. Each unit comprised one common share of the Company and one non-transferable share purchase warrant entitling the holder to purchase one additional common share of the Company at an exercise price of $0.18 per share for a period of 24 months after closing. The Company also issued 28,700 shares to finders with a fair value of $3,731. In addition, the Company issued 358,750 Finders' Warrants entitling the holder to purchase one common share of the Company at a price of $0.18 for a period of 24 months. The fair value of the Finders' Warrants was estimated at $12,038 using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions: risk-free interest rate of 0.53%, expected dividend yield of 0.00%, estimated stock price volatility of 66.72%, and expected option life of two years. Qualifying persons acting as finders in connection with the placement received a cash commission of up to 7% totalling $33,005. The Company also paid legal and filing fees totalling $22,569 in respect of the placement.

Deferred transaction costs

During 2013, the Company incurred costs totalling $28,857 in respect of its efforts to raise capital through a certain equity financing. These costs were deferred and would have been recorded as share issuance costs upon completion of the financing. As at 31 December 2015, management of the Company determined that the probability of success in closing this transaction within a reasonable period was remote and therefore wrote these costs off to operations.

5. STOCK OPTIONS AND WARRANTS

The Company has an incentive stock option plan (the "Plan") which complies with the rules set forth by the TSX Venture Exchange limiting the total number of incentive stock options to 10% of the issued common shares, and providing that at no time may more than 5% of the outstanding issued common shares be reserved for incentive stock options granted to any one individual. The Plan provides for the issuance of options to directors, officers, employees and consultants of the Company to purchase common shares of the Company. Stock options may be granted at the discretion of the board of directors, exercisable for a period not to exceed ten years. Vesting provisions are at the discretion of the board of directors, subject to the policies of the TSX Venture Exchange.

5. STOCK OPTIONS AND WARRANTS *- continued*

Stock option transactions are summarized as follows:

	Warrants			Options		
	Number		Weighted Average Exercise Price	Number		Weighted Average Exercise Price
Outstanding – 31 December 2014	11,166,960	$	0.43	1,500,000	$	0.35
Options granted				2,390,000	$	0.13
Warrants issued	5,784,823	$	0.22			
Expired	(1,019,250)	$	0.35	(300,000)	$	0.35
Outstanding – 31 December 2015	15,932,533	$	0.36	3,590,000	$	0.20
Options granted				1,080,000	$	0.13
Warrants issued	7,358,750	$	0.18			
Expired	(9,522,710)	$	0.43	(1,040,000)	$	0.35
Outstanding – 31 December 2016	13,768,573	$	0.21	3,630,000	$	0.14
Exercisable – 31 December 2016	13,768,573	$	0.21	3,630,000	$	0.14

At 31 December 2016, the Company had outstanding stock options and warrants as follows:

	Number of Shares		Exercise Price	Expiry Date
Options	160,000	$	0.35	20 September 2017
	2,390,000	$	0.13	30 December 2020
	360,000	$	0.13	5 July 2021
	720,000	$	0.13	26 July 2021
	3,630,000			
Warrants	625,000	$	0.53	17 June 2017
	276,250	$	0.53	24 August 2017
	2,685,751	$	0.20	4 November 2017
	2,822,822	$	0.20	24 November 2017
	4,148,750	$	0.18	7 June 2018
	3,210,000	$	0.18	29 June 2018
	13,768,573			

The outstanding options have a weighted average remaining life of 4.02 years; the outstanding warrants have a remaining life of 1.16 years.

5. STOCK OPTIONS AND WARRANTS – *continued*

Share-based compensation

The following table presents information relating to incentive stock options granted to directors, officers, and consultants of the Company during the years ended 31 December:

	2016	2015
Total options granted	1,080,000	2,390,000
Average exercise price	$ 0.13	$ 0.13
Estimated fair value of options granted	$ 65,305	$ 156,572
Estimated fair value per option	$ 0.06	$ 0.07

The fair value of the share-based compensation to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	2016	2015
Risk-free interest rate	0.63%	0.74%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	65%	60%
Expected forfeiture rate	0.00%	0.00%
Expected option life in years	5.00	5.00

The Company has recorded share-based compensation for the years as follows:

	2016	2015
Number of options vested in year	1,080,000	2,390,000
Compensation recognized in year	$ 65,305	$ 156,572

6. EXPLORATION AND EVALUATION

Covas, Portugal

In May 2011, the Company entered into an option agreement to earn up to an 85% interest in the Covas tungsten project located in northern Portugal. In May 2014, the Company and the optionor amended the agreement to provide the Company with the option to earn additional staged interests from 70% to 85%. The terms of the agreement are as follows:

		Percentage Interest	Expenditures	Cumulative Expenditures
On or before 20 March 2013	(incurred)	51%	€ 300,000	€ 300,000
On or before 20 March 2014	(incurred)	70%	700,000	1,000,000
On or before 20 March 2015	(incurred)	75%	320,000	1,320,000
On or before 20 March 2016	(i)	80%	498,000	1,818,000
On or before 20 March 2017	(i)	85%	833,000	2,651,000
			€ 2,651,000	€ 2,651,000

6. EXPLORATION AND EVALUATION – *continued*

Covas, Portugal – *continued*

(i) The Company and the optionor have entered into negotiations to extend the dates for the Company to complete its expenditure requirements and earn an 80% or 85% interest in the property. While the Company may receive an extension to earn an additional interest in the project, it is in arrears of minimum expenditures of approximately €3,000 at Covas, which were required by 31 July 2016 in order to maintain the property in good standing. The Company intends to complete these expenditures within an acceptable period of time in order to maintain the property in good standing.

As at 31 December 2016, the Company had incurred sufficient expenditures under the agreement to provide it the right to earn a 75% interest in the project. At any stage after incurring sufficient qualifying expenditures on the property, the Company may elect to form a joint venture with the optionor, with dilution provisions, to further the development of the project. The Company has not yet provided such an election to the optionor.

Upon grant of a final exploitation license, the joint venture must pay the government of Portugal €500,000; subsequent production from the property is subject to a royalty of 3% of the value of the run-of-mine products or 3% of the value of the concentrates shipped or processed, at the option of the government.

Bejanca, Portugal

In December 2012, the Company entered into an option agreement to acquire up to a 100% interest in the Bejanca tungsten/tin project located in northern Portugal. To earn its interest, the Company must incur exploration expenditures of €575,000 over five years, and pay the optionor a total of €1,125,000 as follows:

		Expenditures		Cash Payments
Upon signing *(paid)*	€	-	€	25,000
On or before 31 July 2013 (incurred)		75,000		-
On or before 31 July 2014 (incurred)		50,000		-
On or before 31 July 2015 (i)		150,000		-
On or before 31 July 2016 (i)		150,000		-
On or before 31 July 2017		150,000		-
Upon grant of preliminary exploitation license		-		100,000
Upon grant of final exploitation license		-		1,000,000
	€	575,000	€	1,125,000

6. EXPLORATION AND EVALUATION - *continued*

Bejanca, Portugal - *continued*

(i) The Company was in arrears in respect of exploration expenditures required at Bejanca by 31 July 2016. During the year, the Company received relief from certain of these expenditure requirements such that the current expenditures incurred are sufficient to satisfy the 2016 expenditure requirements and maintain the property in good standing until 31 July 2017.

Upon grant of a final exploitation license and commencement of production, the Company must make payments totalling €250,000 to the government of Portugal; subsequent production from the property is subject to a 10% net profits interest or a progressive production royalty beginning at 4%, at the option of the government.

Borralha, Portugal

In December 2012, the Company entered into an option agreement to acquire up to a 100% interest in the Borralha tungsten project located in northern Portugal. To earn its interest, the Company must incur exploration expenditures of €980,000 over five years, and pay the optionor a total of €1,125,000 as follows:

	Expenditures	Cash Payments
Upon signing *(paid)*	€ -	€ 25,000
By 31 July 2013 (incurred)	110,000	-
By 31 July 2014 (incurred)	120,000	-
By 31 July 2015 (incurred)	250,000	-
By 31 July 2016 (i)	250,000	-
By 31 July 2017	250,000	-
Upon grant of preliminary exploitation license	-	100,000
Upon grant of final exploitation license	-	1,000,000
	€ 980,000	€ 1,125,000

(i) The Company has received relief from a portion of this expenditure requirement such that the current expenditures incurred are sufficient to satisfy the 2016 expenditure requirement and maintain the property in good standing until 31 July 2017.

Upon grant of a final exploitation license and commencement of production, the Company must make payments totalling €500,000 to the government of Portugal; subsequent production from the property is subject to a 10% net profits royalty or a progressive production royalty beginning at 4%, at the option of the government.

6. EXPLORATION AND EVALUATION *- continued*

Vale das Gatas, Portugal

In November 2013, the Company entered into an option agreement to acquire up to a 100% interest in the Vale das Gatas tungsten project located in northern Portugal. To earn its interest, the Company must incur minimum annual exploration expenditures and pay the optionor a total of €1,112,500 as follows:

		Expenditures		Cash Payments
Within 12 months of signing (paid)			€	12,500
By 22 July 2014 (incurred)	€	100,000		-
By 22 July 2015 (i)	€	120,000		-
By 22 July of each successive year (i)	€	150,000		-
Upon grant of preliminary exploitation license				100,000
Upon grant of final exploitation license				1,000,000
			€	1,112,500

(i) The Company was in arrears in respect of exploration expenditures required at Vale das Gatas. During the year, the Company received relief from a portion of these expenditure requirements such that the current expenditures incurred are sufficient to satisfy the 2016 expenditure requirement and maintain the property in good standing until 31 July 2017.

Upon grant of a final exploitation license and commencement of production, the government of Portugal retains a 10% net profits royalty or a progressive production royalty beginning at 4%, at the option of the government.

Adoria, Portugal

In November 2013, the Company entered into an option agreement to acquire up to a 100% interest in the Adoria tungsten project located in northern Portugal. The Company incurred exploration and evaluation expenditures totalling $160,858 and in July 2015, abandoned the project and returned the property to the optionor.

Performance deposits

As at 31 December 2016, the Company had funded $170,028 (€120,000) (2015 - $180,348 (€120,000)) in performance deposits that are held by the government of Portugal. These deposits are refundable upon the completion of technical, expenditure, and reporting requirements in accordance with the Covas, Bejanca, Borralha, Vale das Gatas, and Adoria concession contracts. The Company received the return of its performance deposit on Adoria ($14,169 (€10,000)) subsequent to 31 December 2016.

6. EXPLORATION AND EVALUATION *- continued*

Expenditures

The Company expenses exploration and evaluation expenditures in the period incurred. Expenditures for the years ended 31 December and cumulative expenditures as at 31 December 2016 are as follows:

Portugal	Expenditures 2016	Expenditures 2015	Cumulative 2016
Covas			
Administration	$ 3,370	$ 5,918	$ 32,078
Camp and general	7,276	8,111	95,332
Consulting	31,491	-	41,912
Drilling	-	-	810,720
Field materials	-	-	22,688
Geochemical, assays	661	-	89,583
Geological	18,247	75,051	826,024
Geophysical	-	-	104,981
Legal, license, and taxes	2,885	22,374	168,424
Local labour	-	-	62,980
Mapping and reports	-	-	389
Roadwork	-	-	21,227
Travel and accommodation	5,716	588	73,925
Expenditure recoveries	(20,970)	-	(20,970)
	48,676	112,042	2,329,293
Bejanca			
Administration	10,053	8,168	37,966
Camp and general	11,055	8,828	31,244
Field materials	205	2,244	6,011
Geochemical, assays	7,685	5,363	19,787
Geological	78,034	70,709	244,399
Legal, license, and taxes	7,358	6,872	30,736
Local labour	1,280	3,216	9,231
Mapping and reports	-	-	4,984
Option payments	-	-	32,117
Travel and accommodation	7,493	17,712	45,309
	123,163	123,112	461,784
Balance carried forward	$ 171,839	$ 235,154	$ 2,791,077

6. EXPLORATION AND EVALUATION *- continued*

Expenditures *- continued*

Portugal	Expenditures 2016	Expenditures 2015	Cumulative 2016
Balance brought forward	$ 171,839	$ 235,154	$ 2,791,077
Borrahla			
Administration	9,887	8,140	37,708
Camp and general	6,881	5,027	39,859
Consulting	55,599	-	55,599
Drilling	-	-	322,631
Field materials	281	183	16,787
Geochemical, assays	12,929	7,001	75,192
Geological	10,621	14,186	192,186
Legal, license, and taxes	14,630	13,662	58,373
Local labour	-	-	25,886
Mapping and reports	-	-	6,550
Option payments	-	-	32,118
Travel and accommodation	1,914	3,619	61,536
Expenditure recoveries	(20,915)	-	(20,915)
	91,827	51,818	903,510
Vale das Gatas			
Administration	9,838	8,055	27,309
Camp and general	6,342	6,966	32,432
Field materials	71	585	3,265
Geochemical, assays	1,205	2,617	11,420
Geological	11,741	62,109	165,315
Legal, license, and taxes	14,630	-	43,573
Local labour	-	-	6,972
Option payments	-	-	17,769
Travel and accommodation	1,016	7,895	38,502
	44,843	88,227	346,557
Adoria *(abandoned 2015)*			
Administration	-	3,906	12,952
Camp and general	-	751	8,778
Field materials	-	-	1,091
Geochemical, assays	-	-	3,821
Geological	-	1,991	87,971
Legal, license, and taxes	-	-	21,855
Local labour	-	-	1,555
Travel and accommodation	-	3,205	22,835
	-	9,853	160,858
	$ 308,509	$ 385,052	$ 4,202,002

Title

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to its mineral properties and, to the best of its knowledge, title is in good standing and in accordance with the related option agreements.

7. COMMITMENTS

The Company has signed management and administration contracts with two of its directors and one of its officers. The agreements call for aggregate payments of $26,000 per month and provide for severance payments should the contracts be terminated without cause. During the year, these directors and officer agreed to fee reductions such that current payments under these agreements total $17,000 per month.

8. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company had related party transactions with associated persons or corporations, which were undertaken in the normal course of operations and were measured at the amounts agreed to between the parties.

Key management includes executive and non-executive directors and executive officers. The compensation paid or payable to key management, and parties related to key management, is as follows:

	2016	2015
Management and director fees	$ 252,000	$ 340,500
Share-based compensation *(i)*	65,305	109,732
	$ 317,305	$ 450,232

(i) Calculated using the Black-Scholes Option-Pricing Model using the assumptions detailed in Note 5.

Accounts payable includes $51,000 (31 December 2015 - $23,000) in accrued management fees due to related parties. During the year, a director and chair of the audit committee agreed to waive payment of $8,000 of accrued fees resulting in a gain on forgiveness of debt.

9. SEGMENTED INFORMATION

The Company currently operates in only one operating segment, that being the mineral exploration industry. The Company's corporate offices are located in Canada and its mineral exploration activities are currently conducted in Portugal. Except for its mineral interests, all of the Company's physical assets are held in Canada.

10. CAPITAL DISCLOSURES

In the management of capital, the Company considers its capital resources to be shareholders' equity. The Company is in the business of mineral exploration and has no source of operating revenue. The Company has no short- or long-term debt and finances its operations through the issuance of capital stock. Capital raised is held in cash in an interest bearing bank account or guaranteed investment certificate until such time as it is required to pay operating expenses or exploration and evaluation costs. The Company is not subject to any externally imposed capital restrictions. Its objectives in managing its capital are to safeguard its cash and its ability to continue as a going concern, and to utilize as much of its available capital as possible for exploration activities *(Note 1)*. The Company's objectives have not changed during the year.

11. INCOME TAXES

The Company has non-capital tax losses and mineral exploration expenditures that are available for carry forward to reduce taxable income of future years. Details of income tax expense for the years ended 31 December are as follows:

		2016		2015
Loss before income taxes for accounting purposes	$	(767,899)	$	(1,216,239)
Statutory rate		26.00%		26.00%
Expected tax recovery for the year		(199,654)		(316,222)
Non-deductible items		15,931		41,873
Unrecognized benefit of losses and expenditures		183,723		274,349
Tax recovery for the year	$	-	$	-

Deferred income taxes reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax assets have not been recognized in respect of these items because it is not currently considered probable that future taxable profits will be available against which the Company can utilize the benefits of these assets. The significant components of the Company's unrecognized deferred income tax assets are as follows:

		2016		2015
Non-capital losses – expire 2031 to 2036	$	1,010,553	$	860,665
Share issuance costs – deductible 2016 to 2020		49,814		82,240
Mineral expenditures – no expiry		1,115,331		1,035,119
Equipment – no expiry		2,147		1,650
Unrecognized deferred income tax assets	$	2,177,845	$	1,979,674