NICOLA MINING INC.

Condensed Consolidated Interim Financial Statements

For the three months ended March 31, 2017 and 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORTING

The accompanying condensed consolidated interim financial statements of Nicola Mining Inc. ("the Company") have been prepared by management in accordance with International Reporting Standards ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the condensed consolidated interim financial statements, including responsibility for significant accounting estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for review of interim financial statements by an entity's auditor.

NICOLA MINING INC.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
(Expressed in Canadian dollars)

	Note		March 31, 2017		December 31, 2016
Assets					
Current assets					
Cash and cash equivalents		$	1,796,900	$	1,916,458
Amounts receivable	4		258,564		333,999
Prepaid expenses and other assets			89,460		97,578
			2,144,924		**2,348,035**
Non-current assets					
Property, plant and equipment	5		8,278,372		8,252,190
Mineral interests	6		3		3
Restricted cash	8		1,208,600		1,208,600
Total assets		**$**	**11,631,899**	**$**	**11,808,828**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities		$	545,364	$	659,109
Secured convertible debenture	10		6,706,833		6,356,460
Flow-through obligation	16		3,854,279		3,815,896
Flow-through share premium	12		97,420		104,000
			11,203,896		**10,935,465**
Non-current liabilities					
Asset retirement obligation	7		3,555,589		3,537,848
Waterton debt loan	9		1,301,075		1,291,521
Secured convertible debenture	10		240,305		227,999
Total liabilities			**16,300,865**		**15,992,833**
Equity					
Shareholders' deficiency					
Share capital	12		66,416,924		66,012,733
Warrants	12		1,272,360		1,272,360
Equity component of convertible debentures			325,038		325,038
Contributed surplus			6,595,525		6,628,277
Accumulated deficit			(79,278,813)		(78,422,413)
Total deficiency			**(4,668,966)**		**(4,184,005)**
Total liabilities and shareholders' deficiency		**$**	**11,631,899**	**$**	11,808,828

Peter Espig (signed) Director ***Frank Hogel (signed)*** Director

Nature of operations, creditor protection and going concern (Note 1)

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

NICOLA MINING INC.
Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
(Unaudited)
(Expressed in Canadian dollars)

	Note		Three Months Ended March 31 2017		2016
Operating Expenses					
Exploration costs	6	$	73,138	$	43,143
Mill costs			173,661		161,092
Accretion	7		17,741		-
Salaries and benefits	14		34,615		49,238
Share-based compensation expense	13,14		-		774
Professional fees			13,086		19,288
Consulting fees	14		94,573		75,360
Office and general			5,051		5,060
Travel and investor relations			17,694		822
Regulatory and transfer agent fees			8,857		13,707
Rent			10,531		10,451
Vehicle expenses			2,780		145
Operating Loss			(451,727)		(379,080)
Gain on property, plant and equipment			-		7,225
Gravel sales			3,720		3,600
Finance costs	11		(414,973)		(344,695)
Flow-through premium	12		6,580		2,055
Net Loss and Comprehensive Loss for the period		$	(856,400)	$	(710,895)
Loss Per Share – Basic and Diluted		$	(0.01)	$	(0.01)
Weighted Average Number of Common Shares Outstanding			164,439,871		123,073,200

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

NICOLA MINING INC.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
(Expressed in Canadian dollars)

	Three Months ended March 31	
	2017	**2016**
Operating Activities		
Net loss for the period	$ (856,400)	$ (710,895)
Adjustments for:		
Write-down and disposal loss on property, plant and equipment		
Share-based compensation	-	774
Depreciation	8,999	21,475
Non-cash interest expense	372,235	344,860
Part X11.6 tax, tax penalties, and indemnification expense	38,383	-
Accretion expense	17,741	-
Changes in non-cash working capital items		
Amounts receivable	75,435	17,144
Prepaid expenses and other assets	8,118	59,356
Accounts payable and accrued liabilities	(113,746)	(51,433)
Flow-through share premium	(6,580)	(2,055)
Cash and Cash Equivalents Used in Operating Activities	(455,815)	(320,774)
Investing Activities		
Disposal of property, plant, and equipment	-	5,895
Purchase of property, plant, and equipment	(35,182)	(11,933)
Cash and Cash Equivalents Provided by (Used in) Investing Activities	(35,182)	(6,038)
Financing Activities		
Issuance of common shares, net of cash paid share issuance costs	-	171,189
Exercise of share purchase warrants	355,440	-
Exercise of stock options	15,999	-
Cash and Cash Equivalents Provided by (Used in) Financing Activities	371,439	171,189
Net change in cash and cash equivalents for the period	(119,558)	(155,623)
Cash and cash equivalents, beginning of period	1,916,458	467,008
Cash and cash equivalents, end of period	$ 1,796,900	$ 311,385

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

NICOLA MINING INC.
Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency
(Unaudited)
(Expressed in Canadian dollars)

	Number of Common Shares	Share Capital	Warrants	Equity Component of Convertible Debentures	Contributed Surplus	Accumulated Deficit	Total Equity (Deficiency)
Balance, January 1, 2016	121,087,590	$ 61,439,308	$ 1,272,360	$ 325,038	$ 6,140,414	$ (74,162,040)	$ (4,984,920)
Share issuance financings	2,250,000	180,000	-	-	-	-	180,000
Share issue costs	-	(8,811)	-	-	-	-	(8,811)
Share based compensation	-	-	-	-	774	-	774
Net loss for the period	-	-	-	-	-	(710,895)	(710,895)
Balance, March 31, 2016	123,337,590	$ 61,610,497	1,272,360	$ 325,038	$ 6,141,188	$ (74,872,935)	$ (5,523,852)
Balance, January 1, 2017	163,389,465	$ 66,012,733	$ 1,272,360	$ 325,038	$ 6,628,277	$ (78,422,413)	$ (4,184,005)
Share purchase warrants exercised	2,403,833	380,764	-	-	(25,324)	-	355,440
Stock options exercised	200,000	23,427	-	-	(7,428)	-	15,999
Net loss for the period	-	-	-	-	-	(856,400)	(856,400)
Balance, March 31, 2017	165,993,298	$ 66,416,924	$ 1,272,360	$ 325,038	$ 6,595,525	$ (79,278,813)	$ (4,668,966)

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

1. NATURE OF OPERATIONS, CREDITOR PROTECTION AND GOING CONCERN

Nicola Mining Inc. (the "**Company**" or "**Nicola**"), is a junior exploration company that is engaged in the business of identification, acquisition, and exploration of mineral property interests together with custom milling operations at its mill located in Merritt, B.C.(the "**Merritt Mill**"). The Company's head office is located at 3329 Aberdeen Road, Lower Nicola, B.C. Nicola is a publicly listed company incorporated under the *Business Corporations Act* (British Columbia). The Company's common shares are listed on the TSX Venture Exchange (the "**TSX-V**") under the symbol "NIM.V.

As at March 31, 2017, the Company had an accumulated deficit of $79,278,813 (December 31, 2016 - $78,422,413) and a working capital deficiency of $9,058,972 (December 31, 2016 - $8,587,430), included in which is the current portion of the secured convertible debenture of $6,706,833 which is due November 21, 2017. In order to continue operations, the Company will be required to raise funds through the issuance of equity or debt, or be successful recommencing operations at the Treasure Mountain project ("**Treasure Mountain Property**") and/or Merritt Mill, together with ongoing exploration programs at its Thule Copper property ("**Thule Copper Property**"). These factors represent a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Realization values may be substantially different from carrying values as shown and the Company's consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

The unaudited condensed consolidated interim financial statements for the period ended March 31, 2017 were prepared using International Financial Reporting Standards ("**IFRS**"). These unaudited condensed consolidated interim financial statements have been prepared using the going concern concept, 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.

2. BASIS OF PRESENTATION

a) Statement of Compliance with International Financial Reporting Standards

The unaudited condensed consolidated interim financial statements of Nicola have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**").

These consolidated financial statements have been authorized for release by the Company's Board of Directors on May 26, 2017.

b) Basis of Consolidation

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, Huldra Properties Inc. During 2016, Huldra Holdings Inc. and Thule Copper Corporation were amalgamated into Nicola Mining Inc. All inter-company balances and transactions are eliminated on consolidation.

c) Basis of Measurement

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is also the Company's and its subsidiary functional currency and have been prepared on a historical cost basis, except for certain financial instruments, which are carried at fair value.

d) Use of Estimates and Judgments

The preparation of the unaudited condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments and estimates which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the unaudited condensed consolidated interim financial statements and the reported amounts of revenues and expenses during the reporting period. The judgments that have the most significant effect on the amounts recognized in the Company's unaudited condensed consolidated interim financial statements are as follows:

i) Impairment of non-current assets

Non-current assets are tested for impairment when indicators of impairment are present. Calculating the estimated fair values of cash generating units for non-current asset impairment tests requires management to make estimates and assumptions with respect to metal selling prices, future capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, production cost estimates, discount rates and exchange rates. Reduction in metal price forecasts, increases in estimated future costs of production, increases in estimated future non-expansionary capital expenditures, reductions in the amount of recoverable reserves, resources, and exploration potential, and/or adverse current economics can result in a write-down of the carrying amounts of the Company's non-current assets.

ii) Completion of commissioning

The determination of the date on which a mine or plant enters the production stage is a significant judgement since capitalization of certain costs ceases and depletion and amortization of capitalized costs commence upon entering production. As a mine or plant is constructed and commissioned, costs incurred are capitalized and proceeds from mineral sales are offset against the capitalized costs. This continues until the mine or plant is capable

2. BASIS OF PRESENTATION (cont'd)

of operating in the manner intended by management which requires significant judgement in its determination.

e) Key Sources of Estimation Uncertainty

The significant assumptions about the future and other major sources of estimation uncertainty as at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of the Company's assets and liabilities are as follows:

i) Share-based compensation

The inputs used in calculating the fair value for share-based compensation included in profit or loss. The share-based compensation expense is estimated using the Black-Scholes option pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company`s common shares, the expected life of the options, and the estimated forfeiture rate.

ii) Rehabilitation provisions

The Company's rehabilitation provision represents management's best estimate of the present value of the future cash outflows required to settle the liability. Management assesses these provisions on an annual basis or when new information becomes available. This assessment includes the estimation of the future rehabilitation costs, the timing of these expenditures, inflation, and the impact of changes in discount rates, interest rates and foreign exchange rates. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on deposit with banks, and highly liquid short term interest bearing investments which are subject to an insignificant risk of change in value. Cash and cash equivalents consists of cash of $796,900 at March 31, 2017 (December 31, 2016 - $916,458) and a cashable guaranteed investment certificate of $1,000,000 at March 31, 2017 (December 31, 2016 - $1,000,000).

b) Restricted Cash

Cash is considered to be restricted as it is subject to rights of a government agency.

c) Property, Plant and Equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

PPE is subsequently stated at cost less accumulated depreciation, less any accumulated impairment losses, with the exception of land which is not depreciated.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of operations and comprehensive loss during the financial period in which they are incurred.

The Company allocates the amount initially recognized in respect of an item of PPE to its significant parts and depreciates separately each part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposal of an item of PPE are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognized within operating expenses in the statement of operations and comprehensive income (loss). During the period, no depreciation was recognized on the mill or related assets.

PPE are depreciated using the following methods:

Automotive equipment	30% declining balance
Furniture and office equipment	20% declining balance
Computers	20% declining balance
Camp and other site infrastructure	5 years straight-line
Heavy machinery and equipment	5 years straight-line

d) Commercial and Pre-commercial Production

Commercial production is deemed to have commenced when management determines that the operational commissioning of major mine plant components is complete, operating results are being achieved consistently for a period of time, and that there are indicators that these operating results will continue. The following factors may indicate that commercial production has commenced:

- substantially all major capital expenditures have been completed to bring the plant or mine to the condition necessary for it to be capable of operating in the manner intended by management;
- a significant portion of plant throughput capacity is achieved; and
- all facilities are operating at a steady state of production.

e) Impairment of Non-financial Assets

At the date of each statement of financial position, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's 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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

asset. If the recoverable amount of an asset or cash-generating unit 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 statement of operations and comprehensive income (loss) for the period.

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 so that the increased carrying amount 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 the statement of operations and comprehensive loss.

f) Mineral Interests

The Company follows the method of accounting for its mineral interests whereby all costs related to acquisition and site restoration are capitalized by project, net of recoveries received. The amounts shown as mineral interests represent costs incurred to date less amounts written off, and do not necessarily represent present or future values. These costs will be amortized against revenue from future production or written off if the interest is abandoned or sold. The ultimate recoverability of amounts capitalized for mineral interests is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete development and realize profitable production or proceeds from the disposition thereof.

g) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures ("**E&E**") excluding mineral interest acquisition and site restoration costs are charged to the statement of operations and comprehensive loss as incurred. When it has been established that a mineral deposit is commercially mineable and a decision has been made to formulate a mining plan (which occurs upon completion of a positive economic analysis of the mineral deposit), the costs subsequently incurred to develop the mine on the property prior to the start of the mining operations are capitalized. Any recoveries received that relate to exploration costs are recorded as a recovery of such costs.

h) Revenue Recognition

Revenue from the sale of gold and silver is recognized at the fair value of the consideration received and when all significant risks and rewards of ownership pass to the purchaser including delivery of the product, there is a fixed or determinable selling price and collectability is reasonably assured.

Gold and silver revenue is recorded at the time of physical delivery and transfer of title. Sales prices are fixed at the delivery date based on the terms of the contract or at spot prices.

i) Financial Instruments

Financial assets and financial liabilities are recognized on the statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets

Financial assets are classified 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:

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

recognized in the statement of operations and comprehensive loss. The Company classifies cash and cash equivalents and restricted cash as fair value though profit or 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 classified as current assets or non-current assets based on their maturity date. They are carried at amortized cost using the effective interest rate method 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. The Company's amounts receivable are included in this category of financial assets.

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 rate 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 operations and comprehensive loss. At March 31, 2017, the Company has not classified any financial assets as held-to-maturity investments.

Available-for-sale investments - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized as other comprehensive income and classified as a component of equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of operations and comprehensive loss. When financial assets classified as available-for-sale are sold, the accumulated fair-value adjustments recognized in other comprehensive income are included in the statement of operations and comprehensive loss. At March 31, 2017, the Company has not classified any financial assets as available-for-sale.

All financial assets except for those classified as 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:

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fair value through profit or loss - This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing 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 operations and comprehensive loss.

Other financial liabilities - This category includes accounts payable and accrued liabilities, Waterton debt loan, secured convertible debentures and flow-through obligation, all of which are recognized at amortized cost using the effective interest method.
Transaction costs in respect of financial instruments at fair value through profit or loss are recognized in the statement of operations and comprehensive losses immediately, while transaction costs associated with all other financial instruments are included in the initial measurement of the financial instrument.

j) Share Capital

Common shares are classified as shareholders' equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of tax, from the proceeds.

k) Share-based Payments

The Company has a stock option plan (the "**Stock Option Plan**") that is described in Note 13 a). The Stock Option Plan allows directors, officers, employees and consultants of the Company to acquire shares of the Company. The fair value of stock options granted is recognized as an employee or consultant expense with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Options issued to Employees and others providing similar services

The fair value of employee stock options are measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the stock options vest. The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the stock option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the stock option.

Options issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services cannot be estimated reliably, the stock options are measured by determining the fair value of the stock options granted, using a Black-Scholes option pricing model.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset, and they relate to the income taxes levied by the same tax authority and the Company intends to settle current tax liabilities and assets on a net basis or their tax assets and tax liabilities will be realized simultaneously.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

l) Provisions

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events; it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to

be required to settle the obligation. The increase in any provision due to passage of time is recognized as finance costs in the statement of operations and comprehensive loss.

m) Asset Retirement Obligation

The Company records the present value of estimated costs of legal and constructive obligations required to restore the site in the period in which the obligation is incurred. The nature of these restoration activities include dismantling and removing structures, rehabilitating mines and the tailings dam, dismantling facilities, closure of plant and waste sites and restoration, reclamation and re-vegetation of affected areas.

The obligation for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Since the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies.

As the estimate of the obligations is based on future expectations, a number of assumptions and judgments are made by management in the determination of closure provisions. The closure provisions are more uncertain the further into the future the mine closure activities are to be carried out.

The present value of decommissioning and site restoration costs are recorded as a non-current liability. The provision is discounted using a real, risk free pre-tax discount rate. Charges for accretion and restoration expenditures are recorded as operating activities. In subsequent periods, the carrying amount of the liability is accreted by a charge to the statement of operations and comprehensive loss to reflect the passage of time and the liability is adjusted to reflect any changes in the timing of the underlying future cash flows.

Changes to the obligation resulting from any revisions to the timing or amount of the original estimate of undiscounted cash flows are recognized as an increase or decrease in the decommissioning provision, and a corresponding change in the carrying amount of the related long-lived asset. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, or provision is made for the estimated outstanding continuous rehabilitation work at each statement of financial position date the cost is charged to the statement of operations and comprehensive loss. 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 the statement of operations and comprehensive loss as extraction progresses.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

n) Flow-Through Shares

Current Canadian tax legislation permits mining entities to issue flow-through shares to investors. Flow-through shares are securities issued to investors whereby the deductions for tax purposes related to exploration and evaluation expenditures may be claimed by investors instead of the entity. The issue of flow-through shares is in substance an issue of ordinary shares and the sale of tax deductions. At the time the Company issues flow-through shares, the sale of tax deductions is deferred and presented as other liabilities in the statement of financial position to recognize the obligation to incur and renounce eligible resource exploration and evaluation expenditures. The tax deduction is measured as the difference, if any, between the current market price of the Company's common shares and the issue price of the flow-through shares. Upon incurring eligible resource exploration and evaluation expenditures, the Company

recognizes the sale of tax deductions as a flow-through share premium on the statement of operations and comprehensive loss and reduces the liability.

o) Flow-Through Obligation

Flow-through obligations are comprised of the Company's various tax penalties and indemnification liabilities relating to the deficiencies in incurring on a timely basis the appropriate amount of qualifying exploration expenditures required related to past flow-through share issuances. The Company may also be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made required exploration expenditures.

Flow-through obligations have been created based on the Company's internal estimates of the maximum tax penalties and indemnification liabilities the Company could be subject to. Assumptions, based on the current tax regulations, have been made which management believes are a reasonable basis upon which to estimate the future liability.

p) Loss per Share

Basic and diluted loss per share 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. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted loss per share does not adjust the loss attributable to common shareholders when the effect is anti-dilutive.

As the Company incurred net losses for all periods presented, the stock options and share purchase warrants, as disclosed in Notes 13 and 12b) respectively, were not included in the computation of diluted loss per share as their inclusion would be anti-dilutive

q) 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. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources, services or obligations.

r) Operating Segments

The Company operates in one segment being the exploration and development of its mineral exploration properties. All of the Company's assets are located in Canada.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

s) Comparatives

Certain comparatives have been reclassified to conform to the current year's presentation.

t) New Standards, Amendments and Interpretation Not Yet Effective

The following is an overview of accounting standard changes the Company will be required to adopt in future years. The Company will not adopt any of these standards before their effective dates. The adoption of these standards is not expected to have a material impact on the Company's consolidated financial statements. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

IFRS 9 – Financial Instruments Disclosure

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, financial assets that are held with a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payment of principal and interest on the principal outstanding, are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets including equity investment are measured at their fair values at the end of subsequent accounting periods. IFRS 9 amendments are tentatively effective for annual periods beginning on or after January 1, 2018.

IFRS 15 Revenue from contracts with customers will replace IAS 18 – Revenue, IAS 11 – Construction contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 Leases, the new leases standard, is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has been also applied.

The Company has not yet completed the process of assessing the impact that IFRS 9, IFRS 15, and IFRS 16 will have on its consolidated financial statements, or whether to early adopt these new requirements.

4. AMOUNTS RECEIVABLE

		March 31, 2017		December 31, 2016
Other receivables	$	131,986	$	217,377
GST receivable (net)		126,578		116,622
	$	**258,564**	**$**	**333,999**

5. PROPERTY, PLANT AND EQUIPMENT

	Land and Permits $	Mill $	Camp and Site Infrastructure $	Heavy Machinery and Equipment $	Computers and Office Equipment $	TOTAL $
Cost						
Balance at January 1, 2016	5,310,000	740,975	-	313,904	18,169	6,383,048
Additions	-	449,837	23,977	-	7,088	480,902
Disposals	(230,000)	-	-	(58,406)	-	(288,406)
Recoveries from sale of concentrate	-	(220,484)	-	-		(220,484
Change in reclamation estimate	2,132,748	-	-	-	-	2,132,748
Balance at December 31, 2016	7,212,748	970,328	23,977	255,498	25,257	8,487,808
Additions	-	35,181	-	-		35,181
Balance at March 31, 2017	7,212,748	1,005,509	23,977	255,498	25,257	8,522,989
Accumulated Depreciation						
Balance at January 1, 2016	-	-	-	209,018	10,661	219,679
Depreciation for the year	-	-	1,314	36,304	7,692	45,310
Disposals	-	-	-	(29,371)	-	(29,371)
Balance at December 31, 2016	-	-	1,314	215,951	18,353	235,618
Depreciation for the period	-	-	1,199	7,446	354	8,999
Balance at March 31, 2017	-	-	2,513	223,397	18,707	244,617
Carrying Amounts						
At January 1, 2016	5,310,000	740,975	-	104,886	7,508	6,163,369
At December 31, 2016	7,212,748	970,328	22,663	39,547	6,904	8,252,190
At March 31, 2017	7,212,748	1,055,509	21,464	32,101	6,550	8,278,372

5. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Company entered into an agreement to sell a certain lot held by the Company for $75,000.during 2016.The funds were paid in full and title transferred as at December 29, 2016 and the Company recognized a loss of $155,000.

The Company entered into a milling and smelting profit share agreement during 2016 with Gavin Mines Inc. ("**Gavin Mines**") on a limited basis with the purpose of moving the Merritt Mill towards commissioning. A smelting sales agreement for the sale of gold and silver concentrate was entered into with MRI Trading, AG. The Merritt Mill feed from Gavin Mines was processed and culminated with ongoing modifications throughout. The mill is not commissioned. Sales relating to the mill feed used during the commissioning process are credited against the cost of the mill as recoveries.

For the three months ended March 31, 2017, the Company received $nil in recoveries from the sale of concentrate (year ended December 31, 2016, $1,088,225 in recoveries from the sale of concentrate and incurred sales and processing costs of $867,741).

6. MINERAL INTERESTS

The Company holds a 100% interest in 38 mineral claims at the Treasure Mountain Property, located near Hope, B.C.

The Company holds a 100% interest in Thule Copper Property comprising 20 mineral claims and 10 mineral leases. The properties are subject to a 2% net smelter royalty.

The Company entered into an Exploration and Material Purchase Agreement with Teck Highland Valley Copper Partnership ("**HVCP**"). The Company will work with HVCP to conduct an exploration program on certain waste mine dump material on the Thule Copper Property. HVCP also has the right to purchase waste mine dump material. The Company will carry out the exploration program, and HVCP has agreed to reimburse the Company at least $200,000 for costs related to the initial exploration program.

On November 23, 2015, the Company, Waterton Global Value, L.P. (**"Waterton")** and Concept Capital Management Ltd. ("**CCM**") entered into a Royalty Agreement whereby the Company granted Waterton a 2% net smelter return royalty with respect to the Treasure Mountain Property. CCM has the option for two years to purchase the royalty from Waterton for $250,000.

The Company took an impairment write-down in relation to its Treasure Mountain Property in 2014. The property remains in good standing, and further carrying charges and evaluation costs are being charged to the consolidated statement of operations and comprehensive loss as an operating expense.

The Company's group of claims consists of the following:

	March 31, 2017 $	December 31, 2016 $
a) The Treasure Mountain group of claims located in the Similkameen Mining Division of British Columbia	1	1
b) A Crown Grant mineral claim (Lot 1210) in the Yale Mining Division contiguous to the Treasure Mountain Claims known as the "Eureka"	1	1
c) The surface rights to Lot 1209 located in the Yale Mining Division of British Columbia known as the "Whynot Fraction"	1	1
	3	3

6. MINERAL INTERESTS (cont'd)

Cumulative exploration costs (including care and maintenance costs) incurred is as follows:

	Three Months Ended March 31,	
	2017	2016
	$	$
EXPLORATION COSTS		
Costs incurred during the period		
Assaying	1,045	-
Field supplies	5,577	446
Geological consulting	35,259	16,000
Tenure lease	6,385	-
First nations consulting	4,566	-
	52,832	16,446
Treasure Mountain Property		
Depreciation	4,622	18,422
Property taxes	1,175	1,475
Water sampling	7,709	-
Tenure lease	6,800	6,800
	20,306	26,697
Total costs incurred during the period	73,138	43,143

7. ASSET RETIREMENT OBLIGATION

Merritt Mill

The Company assumed the asset retirement obligation relating to the Craigmont property (Note 5) and estimated the cost to remediate the Craigmont property at $900,000 upon acquisition. As at March 31, 2017, the Company conducted a review of the estimated reclamation cost to reflect the changes to the Company's current mine permit and has increased the retirement obligation by $17,741 to $3,050,489 (December 31, 2016 - $3,032,748). The Company anticipates it will settle these obligations over the mill life of approximately 30 years.

In order to obtain its milling permits, the Company posted collateral of $230,000 with the government in May 2012 and posted further collateral of $400,000 in March 2013. On February 25, 2015, as part of the Craigmont claim, a $70,000 reclamation deposit was assigned to the Company.

Treasure Mountain

The Company's estimated reclamation costs associated with the Treasure Mountain Property is as at March 31, 2017 $505,100 (December 31, 2016 - $505,100). In order to obtain its final permits, the Company posted collateral of $505,100 with the government of British Columbia. The Company anticipates it will settle these obligations over the next 3 to 5 years.

	March 31, 2017	December 31, 2016
	$	$
Opening balance	3,537,848	1,405,100
Change in estimate	-	2,132,748
Accretion expense	17,741	-
Closing balance	3,555,589	3,537,848

The Company discounted the estimated costs relating to the reclamation of the Treasure Mountain Property using a real discount rate of 0% since the short-term inflation and risk free rates are similar. The Merritt Mill reclamation costs were adjusted using a long-term inflation rate of 1.4% and then discounted using a risk free rate of 2.34%.

8. RESTRICTED CASH

The Company has in place deposits amounting to $1,208,600 as at March 31, 2017 (December 31, 2016 - $1,208,600) registered in the name of the British Columbia Ministry of Finance as security for its mining permit and for reclamation clean up at both the Treasure Mountain Property, the Merritt Mill, and the Thule Copper Property.

9. WATERTON DEBT

On November 20, 2015, the Company and Waterton entered into a settlement agreement. The Company owed Waterton $2,500,000 in principal and approximately $75,000 in accrued interest. The Company, on the closing of the unit financing on November 23, 2015, repaid Waterton $1,250,000 in principal and $37,500 in accrued interest. Waterton agreed to convert the remaining $1,250,000 in principal and $37,500 in accrued interest into a new loan (the "**Loan**"), which bears interest at a rate of 3% per annum paid annually maturing November 24, 2018.

Waterton received a 2% net smelter returns royalty with respect to the Treasure Mountain Property (Note 6).

The change in the Waterton debt obligation is summarized as follows:

	March 31, 2017	December 31, 2016
Opening balance	$ 1,291,521	$ 1,291,521
Finance costs (Note 11)	9,554	38,730
Repayments	-	(38,730)
	$ 1,301,075	$ 1,291,521

10. SECURED CONVERTIBLE DEBENTURE

On October 6, 2014, Nicola launched a private placement of secured convertible debentures (the "**Debentures**") to raise gross proceeds of up to $8,000,000 (the "**Offering**").

On November 21, 2014, the Company closed the first tranche by the issuance of Debentures (the "**First Tranche Debentures**") having an aggregate principal amount of $7,000,882 and the issuance of 35,004,410 share purchase warrants.

The First Tranche Debentures bear interest at a rate of 10% per annum, which is payable annually as 50% in cash and 50% by the issuance of common shares, at a price equal to the market price at time of issuance. The First Tranche Debentures will mature three years after the date of issuance and the principal amount of the First Tranche Debentures, together with any accrued and unpaid interest is payable on the maturity date. The principal amount of the First Tranche Debentures is convertible into common shares prior to the maturity date, at the option of the holder, at a price of $0.055 per share ($0.275 post share consolidation). Each warrant is exercisable into one additional common share for four years at an exercise price of $0.075 ($0.375 post share consolidation) per share in the first year and $0.10 ($0.50 post share consolidation) per share thereafter. The repayment of the outstanding principal and interest of the First Tranche Debentures will be secured against the assets of Nicola but will rank subordinate to the debt owed to Waterton (Note 9) until such time as the debt owing to Waterton is repaid in full.

For accounting purposes the proceeds received of $7,000,882 have been allocated based on the relative fair values of the debt and warrants. The fair value of the First Tranche Debentures was determined to be $5,266,867 using a discount rate of 20%. The fair value of the warrants was determined to be $1,734,015. There is no residual value to be allocated to the equity component of the First Tranche Debentures. Transaction costs of $300,163 and $98,831 have been allocated pro-rata to the debentures and warrants. In addition, the resulting deferred tax liability of $422,000 has been charged to the warrants.

In connection with closing of the first tranche of the Offering, the Company paid cash finder's fees of $22,960 and issued finder's warrants with a total fair value of $20,578 to purchase an aggregate of 417,455 common shares. The terms of the finder's warrants are the same as the terms of the warrants. For purposes of the calculation of the fair value associated with the warrants and finder's warrants, the following assumptions were used for the Black-Scholes model: (Risk-free interest rate – 1.32%, Expected life – 4 years, Expected annual volatility - 144.87%, Expected dividends – Nil, Expected forfeiture rate – Nil).

On May 19, 2015, the Company closed the second tranche of the Offering by the issuance of Debentures (the "**Second Tranche Debentures**") having an aggregate principal amount of $250,000 and the issuance of 1,250,000 share purchase warrants.

The Second Tranche Debentures bear interest at a rate of 10% per annum, which is payable annually as 50% in cash and 50% by the issuance of common shares, at a price equal to the market price at time of issuance. The Second Tranche Debentures will mature three years after the date of issuance, and the principal amount of the Second Tranche Debentures, together with any accrued and unpaid interest is payable on the maturity date. The principal amount of the Second Debentures is convertible into common shares prior to the maturity date, at the option of the holder, at a price of $0.055 ($0.275 post consolidation) per share. Each warrant is exercisable into one additional common share for four years at an exercise price of $0.075 ($0.375 post consolidation) per share in the first year and $0.10 ($0.50 post consolidation) per share thereafter. The repayment of the outstanding principal and interest of the Second Tranche Debentures will be secured against the

10. SECURED CONVERTIBLE DEBENTURE (cont'd)

assets of Nicola but will rank subordinate to the debt owed to Waterton (Note 9) until such time as the debt owing to Waterton is repaid in full.

For accounting purposes the proceeds received of $250,000 have been allocated based on the relative fair values of the debt and warrants. The fair value of the Second Tranche Debentures was determined to be $188,079 using a discount rate of 20%. The fair value of the warrants was determined to be $61,921. There is no residual value to be allocated to the equity component of the Second Convertible Debentures. Transaction costs of $8,339 and $2,745 have been allocated pro-rata to the Second Tranche Debentures and warrants. For purposes of the calculation of the fair value associated with the warrants, the following assumptions were used for the Black-Scholes model: (Risk-free interest rate – 0.885%, Expected life – 4 years, Expected annual volatility – 156.25%, Expected dividends – Nil, Expected forfeiture rate – Nil). The resulting deferred tax liability associated with the warrants was immaterial.

Upon repayment by the Company of all amounts owed to Waterton, the holders of the First Tranche Debentures will be granted an aggregate 2% net smelter returns royalty with respect to the Treasure Mountain Property (the "**First Tranche Royalty**"), provided that each holder of the First Tranche Debentures shall only be entitled to their pro rata share of such royalty based on their individual investment pursuant to the First Tranche. The First Tranche Royalty will replace the 2% net smelter returns royalty with respect to the Treasure Mountain Property which is currently held by Waterton and will be terminated upon repayment of all amounts owed to Waterton by the Company.

In November 2015, the Company agreed to pay all the interest owing on the First Tranche Debentures by the issuance of common shares. In order to incentivize the holders of the Debentures to accept shares in lieu of cash payment originally contemplated under the terms of the Debentures, the Company agreed to settle the interest payment due on November 21, 2015 by the issuance of common shares as if the rate of interest was 12%, rather than 10%, for the first year of the term of the Debentures. The Company issued 12,924,705 common shares at a price of $0.065 per share in settlement of interest of $840,105 owing as at November 21, 2015.

In November 2016, the Company agreed to pay all interest owing on the First Tranche Debentures by the issuance of common shares at a rate of 10% interest as per the terms of the Debenture. The Company issued 4,242,960 common shares at a price of $0.165 per share in settlement of interest of $700,088 as at November 21, 2016. An additional $12,500 was paid as per the original agreement by the issuance of 125,000 common shares at a value of $0.10 per share.

	March 31, 2017	December 31, 2016
Principal amount	$ 6,584,459	$ 5,877,192
Less payment of interest	-	(12,500)
Less payment of interest in shares	-	(712,588)
Accrued interest	337,323	1,329,238
Accretion	25,356	103,117
	$ 6,947,138	$ 6,584,459
Current portion	$ 6,706,833	$ 6,356,460
Non-current portion	$ 240,305	$ 227,999

11. FINANCE COSTS

	March 31, 2017	March 31, 2016
Waterton new loan (Note 9)	$ 9,554	$ 9,633
Flow-through share obligation (Note 16)	38,383	-
Secured convertible debenture (Note 10)	362,680	335,225
Other	4,356	(163)
	$ 414,973	$ 344,695

12. SHARE CAPITAL AND RESERVES

a) Common Shares

Authorized

The authorized capital stock of the Company is an unlimited number of common shares without par value.

Issued

Common shares issued and outstanding at March 31, 2017 were 165,993,298 (December 31, 2016 – 163,389,465).

On March 22, 2016, the Company issued 2,250,000 units at $0.08 per unit for gross proceeds of $180,000. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable into one additional common share at a price of $0.15 per share for a period of two years.

On April 29, 2016, the Company issued 8,318,750 units at $0.08 per unit for gross proceeds of $665,500. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable into one additional common share at a price of $0.15 per share for a period of two years. The Company also issued broker warrants to purchase an aggregate of 119,000 at a price of $0.15 per share for a period of two years. The broker warrants had a fair value of $12,492 estimated using the Black-Scholes option pricing model with a volatility of 224%, risk-free interest rate of 0.68%, dividend rate of 0% and expected life of 2 years.

On May 24, 2016, the Company issued 125,000 common shares at a value of $0.10 per share in settlement of interest of $12,500 owing on the May 2015 secured convertible debentures.

On May 27, 2016, the Company issued 2,050,000 units at $0.08 per unit for gross proceeds of $164,000. Each unit consisted of one common share and one share purchase warrant with each warrant exercisable into one additional common share at a price of $0.15 per share for a period of two years.

On June 23, 2016, the Company issued 1,250,000 common shares at a price of $0.06 for gross proceeds of $75,000 in connection with the exercise of 1,250,000 stock options.

On July 18, 2016, the Company issued 1,800,000 common shares at a price of $0.06 for gross proceeds of $108,000 in connection with the exercise of 1,800,000 stock options.

On July 27, 2016, the Company issued 350,000 common shares at a price of $0.11 for gross proceeds of $38,500 in connection with the exercise of 350,000 stock options.

On August 24, 2016, the Company issued 18,337,665 units at $0.12 per unit for gross proceeds of $2,200,520. Each unit consisted of one common share and one share purchase warrant, with each warrant exercisable into one additional common share at a price of $0.18 per share for a period of three years. The Company also issued broker warrants to purchase an aggregate of 248,266 common shares at a price of $0.18 per share for a period of three years. The broker warrants had a fair value of $39,135 estimated using the Black-Scholes option pricing model with a volatility of 208%, risk-free interest rate of 0.59%, dividend rate of 0% and expected life of 3 years.

12. SHARE CAPITAL AND RESERVES (cont'd)

On October 13, 2016, the Company issued 37,500 common shares at a price of $0.15 for gross proceeds of $5,625 in connection with the exercise of 37,500 share purchase warrants.

On October 31, 2016, the Company issued 40,000 common shares at a price of $0.06 for gross proceeds of $2,400 in connection with the exercise of 40,000 stock options.

On November 23, 2016, the Company issued 4,242,960 common shares at a value of $615,229 in settlement of interest of $700,088 owing on the secured convertible debentures resulting in a gain on settlement of $84,859.

On December 14, 2016, the Company issued 3,500,000 of flow-through units at $0.20 per share for gross proceeds of $700,000. Each unit consisted of one common share and one half share purchase warrant with each warrant exercisable into one additional common share at a price of $0.35 per share for a period of three years. The Company also issued finders warrants to purchase an aggregate of 227,500 common shares, on a non-flow-through basis, at a price of $0.35 for a period of three years. The finders warrants had a fair value of $28,980 estimated using the Black-Scholes option pricing model with a volatility of 189%, risk-free interest rate of 0.82%, dividend rate at 0% and expected life of 3 years. The flow-through share premium liability associated with the issuance was $105,000. During fiscal 2016, the Company incurred certain qualifying exploration expenditures resulting in $1,000 of the liability being decreased with the resulting premium being recognized.

On January 19, 2017, the Company issued 262,500 common shares at a value of $26,250 in connection with the exercise of 262,500 share purchase warrants.

On February 9, 2017 the Company issued 23,333 common shares at a value of $4,200 in connection with the exercise of 23,333 share purchase warrants.

On February 10, 2017 the Company issued 200,000 common shares at a value of $16,000 in connection with the exercise of 200,000 stock options.

On February 27, 2017 the Company issued 625,000 common shares at a value of $93,750 in connection with the exercise of 625,000 share purchase warrants.

On February 28, 2017 the Company issued 1,250,000 common shares at a value of $187,500 in connection with the exercise of 1,250,000 share purchase warrants.

On March 7, 2017 the Company issued 208,000 common shares at a value of $37,440 in connection with the exercise of 208,000 share purchase warrants.

On March 27, 2017 the Company issued 35,000 common shares at a value of $6,300 in connection with the exercise of 35,000 share purchase warrants.

On March 31, 2017 the Company booked a reduction in flow-through premium of $6,580 as a result of its eligible flow-through expenditures incurred during the quarter. The current flow-through premium liability is $97,420.

12. SHARE CAPITAL AND RESERVES (cont'd)

b) Share Purchase Warrants

The following is a summary of warrant transactions:

	Number of Warrants		Weighted Average Exercise Price
Balance at January 1, 2016	32,089,872	$	0.37
Exercised	33,301,181		0.18
Exercised warrants	(37,500)		0.15
Expired warrants	(521,744)		5.17
Balance at January 31, 2017	64,831,809	$	0.24
Exercised	(2,403,833)		0.15
Expired	(65,000)		12.10
Balance at March 31, 2017	62,362,976	$	0.22

As at December 31, 2016, the Company had outstanding warrants as follows:

Security	Number	Exercise Price	Expiry Date
Warrants	100,000	$ 13.00	May 23, 2017
Warrants	19,375,005	$ 0.15	November 24, 2017
Warrants	4,431,250	$ 0.15	December 7, 2017
Warrants	2,250,000	$ 0.15	March 22, 2018
Warrants	119,000	$ 0.15	April 29, 2018
Warrants	7,656,250	$ 0.15	April 29, 2018
Warrants	800,000	$ 0.15	May 27, 2018
Warrants	7,084,373	$ 0.50	November 21, 2018
Warrants	250,000	$ 0.50	May 19, 2019
Warrants	189,933	$ 0.18	August 24, 2019
Warrants	18,129,665	$ 0.18	August 24, 2019
Warrants	227,500	$ 0.35	December 12, 2019
Warrants	1,750,000	$ 0.35	December 12, 2019
	62,362,976		

13. SHARE-BASED PAYMENTS

a) Stock Option Plan

The Company's Board of Directors approved the adoption of the Stock Option Plan in accordance with the policies of the TSX-V. The Board of Directors is authorized to grant stock options to directors, officers, consultants or employees. The exercise price of stock options granted under the Stock Option Plan shall be as determined by the Board of Directors when such stock options are granted, subject to any limitations imposed by any relevant stock exchange or regulatory authority.

The Company shall not grant stock options under the Stock Option Plan which will, when exercised, exceed 10% of the issued and outstanding shares, and further subject to the applicable rules and regulations of all regulatory authorities to which the Company is subject, including the TSX-V, provided that the number of shares reserved for issuance, within any twelve-month period:

i) to any one option holder shall not exceed 5% of the total number of issued shares;

ii) to any one consultant shall not exceed 2% in the aggregate of the total number of issued shares, and

iii) to all persons employed or engaged to provide investor relations activities shall not exceed 2% in the aggregate of the total number of issued shares. In addition, stock options issued to consultants performing investor relations activities must vest in stages over 12 months with no more than ¼ of the options vesting in any three-month period.

If any stock option expires or otherwise terminates for any reason without having been exercised in full, the number of shares which would have been acquired on the exercise of such stock option shall again be available for the purposes of the Stock Option Plan.

13. SHARE-BASED PAYMENTS (cont'd)

The following is a summary of stock options transactions:

	Number of Options	Weighted Average Exercise Price
Balance at January 1, 2016	3,480,500	$ .59
Issued	5,050,000	0.13
Expired	(49,000)	14.27
Exercised	(3,440,000)	0.07
Balance at January 1, 2017	5,041,500	$ 0.35
Exercised	(200,000)	0.08
Balance at March 31, 2017	4,841,500	$ 0.36

The Company's 2015 annual general and special meeting of its shareholders was held on December 16, 2016. At such meeting, the motion to permit the Stock Option Plan to continue as a rolling plan was approved.

As at March 31, 2017, the following stock options were outstanding and exercisable:

Number Outstanding	Number Exercisable	Exercise Price	Weighted Average Contractual Life (Years)	Expiry Date
39,500	39,500	$ 14.50	.44	September 10, 2017
13,000	13,000	$ 14.00	.58	November 1, 2017
4,000	4,000	$ 9.50	.90	February 25, 2018
35,000	35,000	$ 9.50	.91	February 27, 2018
150,000	150,000	$ 0.06	2.22	June 19, 2019
100,000	100,000	$ 0.06	2.25	July 1, 2019
1,350,000	1,350,000	$ 0.11	3.17	June 5, 2020
200,000	200,000	$ 0.15	3.21	June 14, 2020
2,550,000	2,550,000	$ 0.14	4.46	July 26, 2021
400,000	400,000	$ 0.17	4.71	December 13, 2021
4,841,500	4,841,500			

13. SHARE-BASED PAYMENTS (cont'd)

b) Fair Value of Stock Options Issued During the Period

No stock options were issued during the period (March 31, 2016 – nil)

14. RELATED PARTY TRANSACTIONS

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, and consist of its directors, the Chief Executive Officer and the Chief Financial Officer.

The following is a summary of the Company's key management compensation

	Three Months Ended March 31, 2017	2016
	$	$
Consulting fees	45,000	45,000
Salaries and benefits	30,000	16,000

Included in accounts payables as at March 31, 2017 was $875 (December 31, 2016 - $1,450) due to the Chief Executive Officer of the Company.

Included in convertible debentures is $75,000 (December 31, 2016 – $75,000) owing to the Chief Executive Officer of the Company.

15. FINANCIAL INSTRUMENTS

Risk Exposure and Management

Overview

The Company has exposure to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The principal financial risks to which the Company is exposed are credit risk, liquidity risk, metal price risk and currency risk.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk at March 31, 2017 under its financial instruments is approximately $1.8 million.

All of the Company's cash and cash equivalents are held with a major financial institution in Canada and management believes the exposure to credit risk with respect to such institutions is not significant. Those financial assets that potentially subject the Company to credit risk are primarily receivables. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the parties from whom the receivables are due, including government organizations.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it projects the funds required to support its operations.

Management anticipates that it may incur expenditures towards exploring the Treasure Mountain Property and Thule Copper Property and other Company assets. However, there is no assurance that the Company will operate profitably or will generate positive cash flow in the future. The Company has a significant working capital deficiency, no history of profitable operations and no assurance that additional funding will be available to it for further exploration and development of the Treasure Mountain Property and Thule Copper Property. The Company may also need further financing if it decides to obtain additional mineral properties. As such, the Company is subject to many risks common to exploration enterprises, including undercapitalization, cash shortages and limitations with respect to personnel, financial and other resources and lack of revenues. Although the Company has been successful in the past in obtaining financing through credit facilities or the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Such means of financing typically result in dilution of the positions of existing shareholders, either directly or indirectly. Failure to obtain additional financing could result in the delay or indefinite postponement of further exploration of the Treasure Mountain Property and Thule Copper Property or the loss or substantial dilution of any of its property interests.

Foreign Exchange Rate Risk

The Company currently is not subject to significant foreign exchange risk.

16. FLOW-THROUGH SHARE OBLIGATION

		Flow-through Obligation
Balance at January 1, 2016	$	3,662,361
Interest costs		153,535
Balance at December 31, 2016	$	3,815,896
Interest costs		38,383
Balance at March 31, 2017	$	3,854,279

The above provision relates to the Company's requirement to indemnify flow-through investors for the amount of increased tax and other costs payable by investors as a consequence of the Company failing to incur qualifying exploration expenditures previously renounced to the flow-through investors.