MINERAL HILL INDUSTRIES LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED

MARCH 31, 2017 AND 2016

(Expressed in Canadian Dollars)

MINERAL HILL INDUSTRIES LTD.

Contents

NOTICE OF NO AUDITORS' REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

Mineral Hill Industries Ltd.
Condensed interim consolidated statements of financial position
(Expressed in Canadian Dollars)

	March 31 2017 (unaudited)	December 31 2016 (audited)
	$	$
ASSETS		
Current assets		
Cash and equivalents (Note 4)	**13,205**	15,496
Receivables (Note 7)	**4,871**	8,106
Marketable securities	**9,465**	9,465
Prepaid expenses	**515**	515
	28,056	33,582
Equipment (Note 5)	**7,142**	7,301
Due from related parties (Note 7)	**291**	291
	35,489	41,174
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities	**195,896**	207,296
Due to related parties (Note 7)	**976,804**	956,614
	1,172,700	1,163,910
Shareholders' deficiency		
Share capital (Note 8)	**15,731,428**	15,731,428
Reserves	**1,608,965**	1,555,108
Share subscriptions recorded in advance	**35,000**	-
AOCI	**9,465**	9,465
Deficit	**(18,522,069)**	(18,418,737)
	(1,137,211)	(1,122,736)
	35,489	41,174

Nature and continuance of operations (Note 1)
Commitment (Note 12)
Subsequent events (Note 13)

These consolidated financial statements were approved and authorized for issue by the Board of Directors on May 16, 2017 and were signed on its behalf:

"Dieter Peter"
Dieter Peter, Director

"Andrew von Kursell"
Andrew von Kursell, Director

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

Mineral Hill Industries Ltd.
Condensed interim consolidated statements of loss and comprehensive loss
(Expressed in Canadian Dollars)

	For the three months ended March 31			
		2017		2016
Expenses				
Amortization (Note 5)	**$**	**160**	$	344
Bank charges and interest		**20,547**		19,033
Directors' and employees' expenses		**-**		-
Investor relations		**12,562**		-
Office and miscellaneous		**5,532**		5,901
Professional fees		**-**		-
Rent		**900**		900
Stock-based compensation (Note 8)		**53,857**		20,633
Transfer agent and filing fees		**9,529**		8,028
Travel and promotion		**269**		166
Interest income		**(25)**		-
Loss and comprehensive loss for the year	**$**	**103,332**	$	55,005
Loss per common share, basic and diluted	**$**	**(0.01)**	$	(0.00)
Weighted average number of common shares outstanding:				
Basic and diluted		**11,056,303**		10,821,246

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

Mineral Hill Industries Ltd.
Condensed interim consolidated statements of cash flows
(Expressed in Canadian Dollars)

	Three months ended March 31	
	2017	2016
Cash flows from operating activities		
Loss for the year	**$ (103,332)**	$ (55,005)
Items not affecting cash:		
Amortization	**160**	344
Stock-based compensation	**53,857**	20,633
Accrued interest expense on due to related parties	**20,190**	18,581
Changes in non-cash working capital items:		
Decrease (increase) in receivables	**3,106**	3,279
(Increase) decrease in due from related parties	**-**	2,368
(Increase) decrease in prepaid expenses	**-**	(75)
Increase in accounts payable and accrued liabilities	**(11,272)**	(32,280)
Net cash used in operating activities	**(37,291)**	(42,155)
Cash flows from financing activities		
Proceeds from share subscriptions recorded in advance	**35,000**	42,176
Net cash provided by financing activities	**35,000**	42,176
Cash flows from investing activities		
Investment in subsidiaries	**-**	(99)
Net cash used in investing activities	**-**	(99)
Decrease in cash and equivalents	**(2,291)**	(78)
Cash and equivalents, beginning of the year	**15,496**	10,184
Cash and equivalents, end of the year	**$ 13,205**	$ 10,106

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

Mineral Hill Industries Ltd.
Condensed interim consolidated statements of changes in shareholders' deficiency
For the three months ended March 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Share Capital						
	Number of shares	Amount	Reserves	Share subscriptions recorded in advance	AOCI	Deficit	Total
		$	$			$	$
Balance, January 1, 2016 (audited)	**10,821,246**	**15,689,672**	**1,448,015**	**-**	**-**	**(18,119,188)**	**(981,501)**
Share based payments	-	-	20,633	-	-	-	20,633
Comprehensive loss for the period	-	-	-	-	-	(55,005)	(55,005)
Share subscriptions recorded in advance	-	-	-	42,176	-	-	42,176
Investment in subsidiary	-	-	-	-	-	99	99
Balance, March 31, 2016 (unaudited)	**10,821,246**	**15,689,672**	**1,468,648**	**42,176**	**-**	**(18,174,094)**	**(973,597)**
Balance, January 1, 2017 (audited)	**11,056,303**	**15,731,428**	**1,555,108**	**-**	**9,465**	**(18,418,737)**	**(1,122,736)**
Share based payment	-	-	53,857	-	-	-	53,857
Comprehensive loss for the period	-	-	-	-	-	(103,332)	(103,332)
Share subscriptions recorded in advance	-	-	-	35,000	-	-	35,000
Balance, March 31, 2017 (unaudited)	**11,056,303**	**15,731,428**	**1,608,965**	**35,000**	**9,465**	**(18,522,069)**	**(1,137,211)**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated under the laws of British Columbia, Canada and has shifted its principal focus from the acquisition and exploration of mineral properties to the exploration and development of natural gas and oil projects. The Company's shares are listed on the TSX Venture Exchange ("TSXV") trading under the symbol "MHI". The registered office of the Company is 10th Floor, 595 Howe Street, Vancouver, V6C 2T5, British Columbia.

The condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), applicable for the reporting period, with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Ongoing operations of the Company are dependent upon its ability to receive continued financial support, complete public equity financings, or generate profitable operations in the future.

The Company has been acquiring and exploring its mineral properties in previous years. The recoverability of the amounts shown for mineral properties and related deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production. As at December 31, 2015 the Company was not able to obtain the necessary financing to continue with the exploration and evaluation and decided to impair all properties. As its subsidiary Veritas Resource Corp (incorporated in USA) was incorporated for that purpose and had never been active, it no longer served a purpose for the Company, which, as a result, led to the transfer of this subsidiary to a related company for a nominal amount of $1.

Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure the continuation of the Company's operations and exploration programs. To the extent financing is not available, lease payments, rental payments, and other payments may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

On December 3, 2015, the Company signed a Heads of Terms ("HOT") to acquire 45% of the issued share capital of CPS Energy Resources Plc ("CPS") through the issuance of non-voting convertible preference shares. On March 1, 2016, the Company finalized and signed a Share Purchase Agreement ("SPA") with twelve shareholders of CPS ("Shareholders-SPA") representing 45% of the outstanding shareholdings. The parties agreed that the Company shall purchase the 45% of the outstanding share capital of CPS on a joint venture basis under the terms and conditions outlined in the SPA. On August 18, 2016, the Company announced that it had obtained consent letters of "Right of First Refusal" to add an additional 8% of CPS shareholdings from certain shareholders. On January 16, 2017, the Company announced that it had signed the Mutual Sales and Purchase Agreement ("MSP-Agr") for the acquisition of an additional 8% of CPS' shares from two CPS shareholders. Ten business days after the final approval of the transaction the Company will offer to purchase the shares under the exact same conditions specified in the executed Share Purchase Agreement dated March 1, 2016 for its "substantial acquisition", as defined under the rules of the TSXV, of 45% of the outstanding shares of CPS.

Basis of measurement and preparation

These condensed interim consolidated financial statements have been prepared under IFRS in accordance with IAS 34 – *Interim Financial Reporting*. Certain information, in particular the accompanying notes, normally included in the consolidated annual financial statements prepared in accordance with IFRS have been omitted or condensed. Accordingly, these condensed financial statements do not include all the information required for full annual statements.

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments classified as fair value through profit or loss which have been measured at fair value.

1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

The policies set out in the ensuing paragraphs have been consistently applied to all periods presented unless otherwise noted.

The condensed interim consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Functional currency

The presentation and functional currency of the Company and each of its subsidiaries is the Canadian dollar.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Global Environomic Systems Corp. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant inter-company balances and transactions have been eliminated upon full consolidation.

b) Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount 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 reporting periods. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Actual results could differ materially from those reported.

Significant assumptions about the future and other sources of judgements and estimates that management has made at the statement of financial position date that could result in material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- Stock based compensation are based upon expected volatility and option life estimates;
- The provision of income taxes is based on judgements in applying income tax law and estimates on timing, likelihood and reversal of temporary differences between accounting and tax basis of the assets and liabilities;
- The estimated value of exploration and evaluation costs which is included in the consolidated statement of financial position;
- The assessment of indications of impairment of each exploration and evaluation asset and related determination of the net realizable value and write-down of those properties where applicable.

c) Cash and equivalents

Cash is comprised of cash on hand and demand deposits. Cash equivalents include short term highly liquid investments with an original maturity of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

d) Refundable tax credits and mining duties

The Company is entitled to apply for government grants in the form of refundable tax credits and mining duties in respect of qualifying mining exploration expenses incurred. These recoveries are accounted for using the cost reduction approach whereby amounts received or receivable are applied against the cost of related assets or expenditures.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Marketable securities

Marketable securities are traded on a recognized securities exchange and are recorded at fair values based on quoted closing bid prices at the statement of financial position dates or the closing bid prices on the last day the security traded if there was no trade at the statement of financial position dates with both realized and unrealized gains and losses recorded in other comprehensive income.

d) Foreign currency

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in currencies other than the functional currency are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items are measured in terms of historical cost in a currency other than the functional currency and are not translated. Exchange gains and losses arising on translations are included in the statement of comprehensive loss.

g) Equipment

These assets are recorded at cost less accumulated amortization and impairment. Amortization is calculated using the declining balance method to allocate their costs to their residual values over their estimated useful lives as follows:

Furniture and equipment	20%
Computer software	20%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than the estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of loss.

h) Mineral properties and deferred exploration costs

All costs related to the acquisition, exploration and evaluation of mineral properties are capitalized by property. Exploration and evaluation expenditures comprise costs that are directly attributable to:

- researching and analysing existing data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and
- activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation expenditures for each area of interest are carried forward as an asset provided that such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its disposal or through farm-out arrangements.

Once commercial production commences, these costs will be reclassified to Mineral properties within Property, plant and equipment and charged to operations on a unit-of-production method based on proven and probable reserves.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income, costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Decommissioning liabilities

The fair value of the statutory, contractual, constructive or legal liabilities associated with the retirement and reclamation of mining assets are recorded when incurred, with a corresponding increase to the carrying amount of the related production assets. The amount recognized is the estimated cost of decommissioning, discounted to its present value using the Company's risk free rate. Changes in the estimated timing of decommissioning or decommissioning cost estimates and changes to the risk free rates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property and equipment. The unwinding of the discount on the decommissioning provision is charged to net earnings or loss as office and administration expense.

The Company recognizes a decommissioning liability in the period in which it is incurred when a reasonable estimate of the fair value can be made. On a periodic basis, management will review these estimates and changes, if there are any, will be applied prospectively. The fair value of the estimated provision is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a unit-of-production basis over the life of the proven developed reserves. The liability amount is increased each reporting period due to the passage of time and this amount is charged to earnings in the period. Actual costs incurred upon settlement of the obligations are charged against the provision to the extent of the liability recorded and the remaining balance of the actual costs is recorded in the condensed interim consolidated statement of comprehensive loss.

j) Impairment of long-lived assets

At each reporting date, all capitalized exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

k) Stock-based compensation

The fair value of stock options granted is measured at grant date using the Black-Scholes option pricing model. Where options are granted to consultants for good or services rendered, the options are measured at the fair value of the goods or services received by the Company If the fair value of the goods and services received cannot be reliably measured, the fair value of the stock option granted is used instead. At each reporting date prior to vesting, the cumulative expense representing the extent to which the vesting period has expired and management's best estimate of the awards expected to ultimately vest is computed. The movement in cumulative expense is recognized in the statement of comprehensive loss with a corresponding entry within equity, against contributed surplus. No expense is recognized for awards that do not ultimately vest. When options are exercised, the proceeds received together with any related amount in contributed surplus are credited to share capital.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in shareholders' deficiency, in which case it is recognized in shareholders' deficiency.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

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

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

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.

m) Loss per share

Basic loss per share is computed by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. To compute diluted loss per share, adjustments are made to common shares outstanding. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would be outstanding if, at the beginning of the period or at time of issuance, if later, all options and warrants were exercised. The proceeds from exercise would be used to purchase the Company's common shares at their average market price during the period, a reduction to the weighted average number of common shares outstanding. If this computation is anti-dilutive, diluted loss per share is the same as basic loss per share. For the periods presented, this calculation proved to be anti-dilutive.

n) Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loan and receivables, held-to-maturity and available for sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition. It is management's opinion that the Company is not exposed to significant interest or credit risk arising from these financial instruments.

- *Financial assets at fair value through profit or loss*
  A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets and include cash and equivalents, which are initially recognized at fair value.
- *Loans and receivables*
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current or non-current assets based on their maturity date. Assets in this category include due from related parties and receivables and are measured at amortized cost less impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Financial instruments (continued)

Financial assets (continued)

- *Available-for-sale financial assets*
  Available-for-sale financial assets are either designated as available for sale or not classified in any other categories. They are initially recognized at fair value plus transaction costs and are subsequently carried at fair value, with unrealized gains and losses recorded in other comprehensive income until disposition or other-than-temporary impairment at which time the gain or loss is recorded in earnings. Assets in this category include marketable securities.
- *Held to maturity*
  Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has the positive intention and ability to hold to maturity. They are measured at amortized cost less any allowance for impairment. Amortization of premiums or discounts and losses due to impairment are included in current period income (loss). The Company holds no instruments in this category. Held to maturity investments are classified as current except for the portion expected to be realized beyond twelve months of the statement of financial position date, which is classified as non-current.

Financial liabilities

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

Fair value through profit or loss – this category is comprised of 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 comprehensive loss.

Other financial liabilities – this category includes accounts payable and accrued liabilities and due to related parties, which are initially recognized at fair value and subsequently stated at amortized cost. Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the date of the statement of financial position. The Company's accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities.

Impairment of financial assets

The Company assesses at each reporting date, whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

- Financial assets carried at amortization: the loss is the difference between the amortized cost and its value of estimated future cash flows, discounted using the instrument's original effective interest rate;
- Available-for-sale financial asset: The loss is the amount comprising the difference between its original cost and its current fair value, less any impairment previously recognized in the statement of comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net loss.
- Reversals of impairment losses on financial assets carried at amortized cost are recorded through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss had been recognized. Impairment on available-for-sale instruments is not reversed.

3. ACCOUNTING STANDARDS AND CHANGE IN ACCOUNTING POLICIES

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

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

4. CASH AND EQUIVALENTS

	March 31 2017 (unaudited)	December 31 2016 (audited)
Petty cash	**$ 598**	$ 598
Bank and Brokerage house	**3,607**	5,898
GIC	**9,000**	9,000
	13,205	15,496

5. EQUIPMENT

	Furniture and Equipment	**Computer Software**	**TOTAL**
	$	$	$
Balance – December 31, 2015			
Cost	89,456	3,351	92,807
Accumulated Amortization	(81,477)	(3,228)	(84,705)
	7,979	123	8,102
Movements – year ended December 31, 2016			
Acquisitions	-	-	-
Amortization	(789)	(12)	(801)
	(789)	(12)	(801)
Balance – December 31, 2016			
Cost	89,456	3,351	92,807
Accumulated Amortization	(82,266)	(3,240)	(85,506)
	7,190	111	7,301
Movements – period ended March 31, 2017			
Acquisitions	-	-	-
Amortization	(158)	(2)	(160)
	(158)	(2)	(160)
Balance – March 31, 2017			
Cost	89,456	3,351	92,807
Accumulated Amortization	(86,457)	(3,304)	(89,761)
	2,999	47	3,046

6. MINERAL PROPERTIES

Title to mineral properties

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 all of its properties and, to the best of its knowledge, title to all of its properties are in good standing. However, this should not be construed as a guarantee of title. The mineral properties may be subject to prior claims, arguments or transfers and rights of ownership may be affected by undetected defects.

Lithium Properties, Val d'Or, Quebec

(i) Chubb Property, Québec

The Company acquired a 100% interest in the Chubb Lithium Property, which is located in the Archean Abitibi Greenstone belt in the La Corne Township by paying $80,000 and issuing 66,664 common shares. The agreement provides for a 2% net smelter return ("NSR"). The Company has an exclusive option to buy back 50% for $1,000,000 within one year and the remaining 50% for $1,000,000 within two years of the date the Chubb Property is put into commercial production.

During fiscal 2014, the Company wrote off the property and charged $127,166 to operations.

(ii) International Property, Québec

The Company acquired a 100% interest in the International property by paying $83,108 and issuing 49,998 common shares. The agreement provides for a 1% NSR. The Company has an exclusive option to buy back 50% for $500,000 within one year and the remaining 50% for $500,000 within two years of the date the International Property is put into commercial production.

During fiscal 2014, the Company wrote off the property and charged $111,192 to operations. During fiscal 2016 the Company approved the transfer of 100% legal and beneficial interest in the Chubb and International claims to a mining exploration company in return for a 1% NSR royalty to Globex Mining Enterprises Inc. ("Globex"). Globex shall have the exclusive right to purchase the Company's 1% NSR on the properties for $200,000 at any time and at Globex's sole discretion.

(iii) Athona Property

The Company acquired a 100% interest in the Athona property by paying $60,000 and issuing 37,500 common shares.

During fiscal 2014, the Company wrote off the property and charged $82,585 to operations.

During fiscal 2015, the Company allowed these claims to lapse.

(iv) Canadian and McNeely Lithium Property, Québec

The Company acquired a 100% interest in the Canadian and McNeely Lithium property by paying $80,000 and issuing 49,998 common shares. The agreement provides for a 1% NSR. The Company has an exclusive option to buy back 50% for $500,000 within one year and the remaining 50% for $500,000 within two years of the date the Canadian and McNeely Property is put into commercial production.

During fiscal 2014, the Company wrote off the property and charged $99,917 to operations. In fiscal 2016 the Company approved the transfer of 100% legal and beneficial interest in these claims to Globex in return for a 1% NSR royalty. Globex shall have the exclusive right to purchase the Company's 1% NSR on the properties for $200,000 at any time and at Globex's sole discretion.

6. MINERAL PROPERTIES (continued)

(v) New Lithium Property, Québec

The Company issued a total of 550,000 commons shares valued at $90,750, with respect to the acquisition of a 100% interest in some mineral claims located northwest of the mining town of Val d'Or in Quebec.

During fiscal 2014, the Company wrote off the property and charged $90,750 to operations.

(vi) Liberty Hill Mine, Nevada County, California, USA

On September 30, 2010, the Company entered into an agreement, to earn in a 50% participation in a Joint Venture Agreement with Mining and Energy International Corp (MEICO) in the Liberty Hill Mine, in Nevada County, California, USA.

On June 29, 2015 the Company sent a formal notification to MEICO to terminate the Agreement dated September 30, 2010 including the Amendment thereof dated April 20, 2012 as the Company has been unable to secure funds to continue with the development of the Liberty Hill Mine.

The Company therefore recorded $308,488 as impairment on assets.

7. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2017, the Company entered into the following transactions with related parties. These transactions were in the normal course of operations and were priced on an arm's length basis.

Key management personnel compensation

The remuneration of key management personnel during the three months ended March 31, 2017 and 2016 were as follows:

	Note		**March 31 2017 (unaudited)**		March 31 2016 (unaudited)
Share based compensation	(i)	$	**22,765**	$	10,312

(i) Stock based payments are the fair value of options granted to the Chief Executive Officer, the Chief Financial Officer Corporate Secretary, Treasurer and Directors which vest partly on grant date and partly on the first and second anniversaries of the grant date.

At March 31, 2017 amounts of $Nil (2016: $Nil) to Merfin Management Limited ("Merfin") were included in accounts payable and accrued liabilities. Merfin is a private company controlled by the Chief Executive Officer.

Other related party transactions

During the three months ended March 31, 2017, the Company charged, as a recovery of office expenses, including rent, $1,921 to Nass Valley Gateway Ltd. and $2,057 to The Eelleet Network Corp. (formerly Kirkland Precious Metals Corp.), companies related by common directors and officers, a total amount of $3,978 (2016: $4,289).

The following were also included to related parties in accounts payable:

		March 31 2017 (unaudited)		December 31 2016 (audited)
Andrew von Kursell, Director	**$**	**9,077**	$	9,077
Nass Valley Gateway Ltd.	**$**	**29,273**	$	24,549
	$	**38,350**	$	33,626

7. RELATED PARTY TRANSACTIONS (continued)

The following were also receivable from companies which are related by common directors:

	March 31 2017 (unaudited)	December 31 2016 (audited)
Island Gateway Ltd.	**$ -**	$ -
Gitxat'in MHind World Link	**156**	156
Nass Energy	**135**	135
Nass Valley Gateway Ltd.	**-**	647
The Eelleet Network Corp.	**4,439**	7,387
	$ 4,730	$ 8,325

On December 29, 2014, the Company received 312,500 shares of Nass Valley Gateway Ltd. as payment of amount owed.

During the year ended December 31, 2015 the Company recognized an impairment of these shares of $21,875. As at December 31, 2016 the Company reversed a portion of the previous year's impairment and recorded a gain of $9,465 on reversal of marketable securities.

Advances received from related party

During the three months ended March 31, 2017, the Company received advances totalling $882,949 (2016: $802,965) from Merfin. The promissory notes payable to Merfin bear interest at 8.5% per annum. As at March 31, 2017, an amount of $220,456 (2016: $148,822) was accrued as interest. The loan is due on the date of completion of a financing of a minimum of $1,000,000. Subject to regulatory approval, the loan may be converted into common shares at the option of the Company. The Company calculated the fair value of the convertible feature at $Nil.

On April 5, 2016 the Company's Board of Directors approved the issuance of 127,557 bonus shares valued at $17,859 to Merfin in recognition of Merfin having provided cash contributions totaling $89,290 to the Company in fiscal 2014 and 2015.

As at March 31, 2017, the Company had an advance totalling $13,875 (2016: $12,750) from Knight Castle Mercantile Inc., a private company controlled by a former director. The promissory note bears interest at 8.5% per annum. As at March 31, 2017, an amount of $3,875 (2016: $2,750) was accrued as interest. The loan is due at the date of completion of financing of a minimum of $400,000. The loans are convertible into common shares of the Company at the option of the lender, subject to regulatory approval. The Company calculated the fair value of the convertible feature at $Nil.

As at March 31, 2017, the Company had advances totalling $79,980 (2016: $73,485) due to Infogen Research Limited ("Infogen"). The promissory notes bear interest at 8.5% per annum. As at March 31, 2017, an amount of $21,780 (2016: $15,284) was accrued as interest. There is no specific maturity date. Subject to regulatory approval, the loan may be converted into common shares at the option of the Company.

The Company agrees to pay the lenders the maximum bonus permitted by TSX Venture Exchange policies on the date the loans are repaid. The bonus shall be paid in cash, shares, warrants or a combination at the election of the lenders.

Related party loans are summarized as follows:

	Balance owing as at	
	March 31, 2017 (unaudited)	December 31, 2016 (audited)
Merfin Management Limited	**$ 882,949**	$ 864,699
Knight Castle Mercantile Inc.	**13,875**	13,588
Infogen Research Limited	**79,980**	78,327
Total	**$ 976,804**	$ 956,614

8. SHARE CAPITAL AND RESERVES

a) Authorized share capital

At March 31, 2017, the authorized share capital comprised of an unlimited number of common shares at no par value. All issued and outstanding shares are fully paid.

b) Issues of common shares

During the three months ended March 31, 2017 the Company did not issue any of its common shares.

c) Stock-based compensation

The Company, in accordance with its modified stock option plan, is authorized to grant options to directors, employees and consultants, to acquire up to 2,019,990 of currently issued and outstanding common stock. The exercise price of each option equals the closing market price of the Company's stock on the last trading day preceding the date of grant, less any discount permitted by the TSX Venture Exchange. The options can be granted for a maximum term of three years and are subject to vesting provisions as determined by the board of directors of the Company.

The weighted average grant fair value of 810,000 options granted on December 16, 2016 was $0.23 per option. The fair value of these options determined on the day of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free interest rate of 1.59%, expected life of 3 years; expected volatility of 146% and expected dividends of 0%.

The weighted average grant fair value of 610,500 options granted on December 17, 2015 was $0.11 per option. The fair value of these options determined on the day of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: Risk free interest rate of 1.33%, expected life of 3 years; expected volatility of 146% and expected dividends of 0%.

For the three months ended March 31, 2017, the total stock-based compensation for options granted and vested is $53,857 (2016: $20,633).

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise price	
Stock options outstanding at December 31, 2015	**1,938,675**	**$**	**0.40**
Expired/cancelled	(642,000)	$	0.15
Expired/cancelled	(578,675)	$	1.00
Exercised	(107,500)	$	0.15
Granted	810,000	$	0.30
Stock options outstanding at December 31, 2016	**1,420,500**	**$**	**0.23**
Expired/cancelled	-		-
Granted	-		-
Stock options outstanding at March 31, 2017	**1,420,500**	**$**	**0.23**

Information regarding options outstanding and exercisable as at March 31, 2017:

Expiry Date	Exercise Price		Number of Options Outstanding	Number of Exercisable Options	Average Remaining Life (Years)
December 17, 2018	$	0.14	610,500	488,000	1.71
December 16, 2019		0.30	810,000	278,000	2.71
	$	**0.23**	**1,420,500**	**766,000**	**2.28**

8. SHARE CAPITAL AND RESERVES (continued)

d) Warrants

As at March 31, 2017, the Company had no outstanding warrants to purchase common shares of the Company.

Warrant transactions are summarized as follows:

	Warrants outstanding	
	Number of warrants	**Weighted average exercise price**
Balance, December 31, 2015	**3,048,750**	**$ 0.30**
Expired	(3,048,750)	$ 0.30
Balance, December 31, 2016	**-**	**-**
Granted	-	-
Expired	-	-
Balance, March 31, 2017	**-**	**$ -**

9. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

	March 31 2017 (unaudited)	March 31 2016 (unaudited)
Cash paid for income taxes during the three months ended	$ -	$ -
Cash paid for interest during the three months ended	$ -	$ -

10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and equivalents, marketable securities, receivables, due from related parties, accounts payable and accrued liabilities and due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and equivalents, marketable securities, receivables and due from related parties. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash and equivalents and marketable securities with high-credit quality financial institutions.

Amounts due to and from related parties are discussed in Note 7.

Currency risk

The Company operates primarily in Canadian dollars and as such is not affected by the fluctuations of the Canadian dollar with other currencies.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipated it will need additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding stock options, warrants and/or the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the sale of equity securities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets in Canada have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

Interest rate risk
The Company normally invests in short-term interest bearing financial instruments. There is a minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificate included in cash and equivalents as they are currently held in large financial institutions.

Fair value measurements of financial assets and liabilities

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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

The fair values of cash and cash equivalents and marketable securities are determined based on “Level 1” inputs, which consist of quoted prices in active markets for identical assets. The Company believes that the recorded values of receivables, due to and from related parties and accounts payable and accrued liabilities, approximate their current fair values because of their nature and relatively short maturity dates or durations.

Assets measured at fair value on a recurring basis were presented on the Company’s statement of financial position as of March 31, 2017 as follows:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	**March 31 2017 (unaudited)**
Assets:				
Cash and equivalents	$ 10,106	$ -	$ -	**$ 10,106**
Marketable securities	$ -	$ -	$ -	**$ -**
	$ 10,106	**$ -**	**$ -**	**$ 10,106**

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	**December 31 2016** (audited)
Assets:				
Cash and equivalents	$ 13,205	$ -	$ -	**$ 13,205**
Marketable securities	$ -	$ 9, 465	$ -	**$ 9,465**
	$ 13,205	**$ 9,465**	**$ -**	**$ 22,670**

11. CAPITAL MANAGEMENT

The Company's capital structure consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, highly-liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the three months ended March 31, 2017. The Company is not subject to externally imposed capital requirements. The Company does not currently have an exploration project and will present a new exploration plan in respect to its proposed substantial acquisition and, ultimately, its participation in the development of the to be acquired oil and natural gas project, and will need to raise adequate capital by obtaining equity financing through a private placement or a bond issue or debt financing. The Company may raise additional debt, equity or bond financing in the near future to meet its current obligations.

12. COMMITMENT

The Company moved its offices and entered into a new 2 year office lease agreement commencing October 15, 2014. The rent is $300 per month. On August 16, 2016 the Company amended its lease agreement for the office premises by extending the lease for an additional 6 months commencing October 15, 2016 and continuing on a month-to-month basis until the Company or the Landlord decide to extend the lease for a pre-determined period of time or terminate the tenancy.

13. SUBSEQUENT EVENTS

There are no subsequent events.