(an exploration and development stage company)

Condensed Consolidated Interim Financial Statements

August 31, 2016 and 2015

(Unaudited)
(Expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The accompanying condensed consolidated interim financial statements and all other financial information included in this report are the responsibility of management. The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Financial statements include certain amounts based on estimates and judgments. When alternative methods exist, management has chosen those it deems most appropriate in the circumstances to ensure that the consolidated financial statements are presented fairly, in all material respects.

Management maintains appropriate systems of internal control, consistent with reasonable cost, to give reasonable assurance that its assets are safeguarded, and the financial records are properly maintained.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Audit Committee, which is comprised of three Directors, all of whom are non-management and independent, meets with management to review the consolidated financial statements to satisfy itself that management is properly discharging its responsibilities to the Directors, who approve the consolidated financial statements.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial reporting standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) "John McConnell"
Director, President and CEO
October 28, 2016

(signed) "Marty Rendall"
CFO
October 28, 2016

Victoria Gold Corp.
Condensed Consolidated Interim Statements of Financial Position

(Unaudited)
(Expressed in Canadian Dollars)

	Notes	**August 31, 2016**	**February 29, 2016**
Assets			
Current assets			
Cash and cash equivalents		$ 62,538,555	$ 13,942,137
Marketable securities and warrants	*5*	513,309	178,344
HST and other receivables		158,018	44,436
Prepaid expenses		462,782	142,171
		63,672,664	14,307,088
Non-current assets			
Restricted cash		1,854,216	1,907,417
Property and equipment	*6*	3,284,330	3,282,615
Resource properties	*7*	120,102,014	113,715,508
Total assets		$ 188,913,224	$ 133,212,628
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities		$ 5,960,608	$ 4,144,085
Deferred premium	*10*	564,808	-
Current portion of ARO	*8*	1,898,233	1,951,165
		8,423,649	6,095,250
Non-current liabilities			
Asset retirement obligations ("ARO")	*8*	959,136	963,945
Total liabilities		9,382,785	7,059,195
Shareholders' Equity			
Share capital	*10*	203,489,775	154,513,979
Contributed surplus		20,707,611	14,985,513
Accumulated other comprehensive loss		(2,547,262)	(2,686,430)
Accumulated deficit		(42,119,685)	(40,659,629)
Total shareholder's equity		179,530,439	126,153,433
Total liabilities and equity		$ 188,913,224	$ 133,212,628

See accompanying notes to the condensed consolidated interim financial statements.

Authorized for issue by the Board of Directors on October 28th, 2016 and signed on its behalf. **"T. Sean Harvey"** Director **"Chris Hill"** Director

Victoria Gold Corp.
Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

(Unaudited)
(Expressed in Canadian Dollars)

	Notes	For the three months ended August 31, 2016	For the three months ended August 31, 2015	For the six month period ended August 31, 2016	For the six month period ended August 31, 2015
Operating expenses					
Salaries and benefits excluding share-based payments		$ 430,101	$ 224,103	$ 769,517	$ 592,894
Office and administrative		272,578	136,786	416,765	235,065
Share-based payments	*11*	80,042	70,341	103,852	181,611
Marketing		63,862	42,567	163,036	117,705
Legal and accounting		36,247	39,375	81,824	77,365
Consulting		30,962	16,500	35,962	24,000
Amortization		965	1,238	1,931	2,476
Foreign exchange (gain) loss		(7,420)	(437,270)	209,666	(403,973)
		907,337	93,640	1,782,553	827,143
Finance (income) costs					
Unwinding of present value discount: ARO		5,367	5,390	10,737	10,697
Interest and bank charges		2,585	2,224	3,654	4,794
Interest income		(90,021)	(20,650)	(101,923)	(45,824)
Change in fair value of marketable securities		(261,679)	32,140	(234,965)	39,124
		(343,748)	19,104	(322,497)	8,791
Net loss		(563,589)	(112,744)	(1,460,056)	(835,934)
Other Comprehensive income (loss)					
Items that may be reclassified subsequently to profit or loss					
Currency translation adjustment		43,136	22,615	139,168	22,615
Total items that may be reclassified subsequently to profit or loss		43,136	22,615	139,168	22,615
Total comprehensive loss for the period		$ (520,453)	$ (90,129)	$ (1,320,888)	$ (813,319)
Loss per share - basic and diluted	*9*	$ (0.001)	$ (0.000)	$ (0.004)	$ (0.002)
Weighted average number of shares					
Basic and diluted		449,103,352	340,073,973	414,993,029	340,073,973

See accompanying notes to the condensed consolidated interim financial statements.

Victoria Gold Corp.

Condensed Consolidated Interim Statement of Changes in Shareholder's Equity

(Unaudited)

(Expressed in Canadian Dollars)

	Notes	Share capital: Number of shares	Share capital: Amount	Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Total equity
Balance at March 1, 2015		340,073,973	$ 151,618,587	$ 13,971,128	$ (2,578,869)	$ (38,825,883)	$ 124,184,963
Transactions with owners:							
Share-based payments, expensed				181,611			181,611
Share-based payments, capitalized				90,626			90,626
Total transactions with owners:		-	-	272,237	-	-	272,237
Net loss for the period						(835,934)	(835,934)
Other comprehensive income/(loss):							
Currency translation adjustment					22,615		22,615
Balance at August 31, 2015	*10*	340,073,973	$ 151,618,587	$ 14,243,365	$ (2,556,254)	$ (39,661,817)	$ 123,643,881
Balance at March 1, 2016		361,098,109	$ 154,513,979	$ 14,985,513	$ (2,686,430)	$ (40,659,629)	$ 126,153,433
Transactions with owners:							
Proceeds from share issue		128,659,615	55,628,750				55,628,750
Fair values assigned to warrants issued under private placement			(6,620,000)	6,620,000			-
Proceeds from stock options exercised		6,623,333	1,681,000				1,681,000
Fair values allocated upon exercise:							
Stock options			963,046	(963,046)			-
Share issuance costs			(2,112,192)	(57,292)			(2,169,484)
Share-based payments, expensed				103,852			103,852
Share-based payments, capitalized				18,584			18,584
Premium on flow-through shares			(564,808)				(564,808)
Total transactions with owners:		135,282,948	48,975,796	5,722,098	-	-	54,697,894
Net loss for the period						(1,460,056)	(1,460,056)
Other comprehensive income/(loss):							
Currency translation adjustment					139,168		139,168
Balance at August 31, 2016	*10*	496,381,057	$ 203,489,775	$ 20,707,611	$ (2,547,262)	$ (42,119,685)	$ 179,530,439

See accompanying notes to the condensed consolidated interim financial statements.

Victoria Gold Corp.
Consolidated Statement of Cash Flows

(Unaudited)
(Expressed in Canadian Dollars)

	Notes	For the six month period ended August 31, 2016	2015
Cash flows from operating activities			
Net loss for the period		$ (1,460,056)	$ (835,934)
Adjustments for:			
Share-based payments	*11*	103,852	181,611
Unwinding of present value discount: ARO	*8*	10,737	10,697
Change in fair value of marketable securities		(234,965)	156,732
Amortization		1,931	2,476
Net unrealized foreign exchange (gain) loss		366,171	(736,021)
		(1,212,330)	(1,220,439)
Working capital adjustments:			
(Increase) decrease in HST and other receivables		(113,582)	13,716
(Increase) decrease in marketable securities		(100,000)	(117,608)
(Increase) decrease in prepaid expenses		(56,343)	(44,176)
Increase (decrease) in accounts payables and accrued liabilities		674,623	88,868
		404,698	(59,200)
Net cash flows used in operating activities		(807,632)	(1,279,639)
Cash flows used in investing activities			
Resource properties	*7*	(5,405,260)	(1,954,726)
Cash received from disposition of securities and assets held for sale		-	1,124,932
Restricted cash		(119)	45,181
Purchase of property and equipment		(309,822)	-
Net cash flows used in investing activities		(5,715,201)	(784,613)
Cash flows from financing activities			
Shares issued for cash, net of issuance cost	*10*	53,459,266	-
Exercise of warrants and options		1,681,000	-
Net cash flows from financing activities		55,140,266	-
Foreign exchange gain (loss) on cash balances		(21,015)	138,540
Net increase (decrease) in cash and cash equivalents		48,596,418	(1,925,712)
Cash and cash equivalents, beginning of the period		13,942,137	14,751,577
Cash and cash equivalents, end of the period		$ 62,538,555	$ 12,825,865

See accompanying notes to the condensed consolidated interim financial statements. Supplementary Cash Flow information is provided in Note 15.

(Unaudited)
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Victoria Gold Corp. ("Victoria" or "the Company"), a British Columbia company, was incorporated in accordance with the Business Corporations Act (British Columbia) on September 21, 1981. The Company's common shares are listed on the TSX-V.

The Company is engaged in the acquisition, evaluation, exploration and development of mineral properties. To date, the Company has not realized any revenues from its properties and is considered to be an exploration and development stage company. The Company's registered office is located at 80 Richmond St. West, Suite 303, Toronto, Ontario, M5H 2A4, Canada.

The recoverability of the amounts shown for resource properties and related deferred costs is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing and permits to complete the development, and upon future profitable production or proceeds from disposition of these assets.

These condensed consolidated interim financial statements have been prepared using IFRS applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due for the foreseeable future. The Company's future is currently dependent upon its ability to successfully complete additional financing arrangements, secure all necessary permits, its ability to fulfil its planned exploration and development programs and upon future profitable production from, or the proceeds from the disposition of, its mineral properties. The Company periodically seeks financing to continue the exploration and development of its resource properties and to meet its future administrative requirements. Although the Company has been successful in raising funds to date, there can be no assurances that the steps management is taking, and will continue to take, will be successful in future reporting periods.

At August 31, 2016, Victoria Gold Corp. ("Victoria" or "the Company") had a working capital surplus of $55,249,015 (compared with a surplus of $8,211,838 at February 29, 2016), an accumulated deficit of $42,119,685 ($40,659,629 at February 29, 2016) and reported a net loss for the six months ended August 31, 2016 of $1,460,056 (2015 net loss - $835,934).

2. BASIS OF PRESENTATION

These unaudited condensed consolidated interim financial statements for the three months ended August 31, 2016 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended February 29, 2016, which have been prepared in accordance with IFRSs.

These consolidated financial statements include the accounts of Victoria and its wholly-owned subsidiaries including:

- Victoria Resources (U.S.) Inc., a Nevada corporation,
- Gateway Gold Corp., a British Columbia corporation,
- Gateway Gold (USA) Corp., a Nevada corporation,
- StrataGold Corporation, a British Columbia corporation,

Gateway Gold Corp. and Gateway Gold (USA) Corp. (together referred to as "Gateway") were acquired by the Company on December 18, 2008.
StrataGold Corporation ("StrataGold") was acquired by the Company on June 4, 2009.

These financial statements were approved by the Board of Directors for issue on October 28, 2016.

(Unaudited)
(Expressed in Canadian Dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies followed in the presentation of these condensed consolidated interim financial statements are consistent with those of the previous financial year.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended February 29, 2016.

5. MARKETABLE SECURITIES

	August 31, 2016	February 29, 2016
Current investments		
Opening balance	$ 178,344	$ 1,274,752
Additions	100,000	-
Disposals	-	(1,124,932)
Change in fair value	234,965	28,524
Financial assets at fair value through profit and loss	$ 513,309	$ 178,344

(Unaudited)
(Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT

	Other assets	Buildings/ structure	Field & automotive equipment	Leasehold improvements	Total
Cost					
March 1, 2015	$ 585,628	$ 6,063,280	$ 173,650	$ 309,529	$ 7,132,087
Additions	6,951	-	40,000	-	46,951
Disposals	-	-	-	(130,726)	(130,726)
February 29, 2016	592,579	6,063,280	213,650	178,803	7,048,312
Additions	15,502	276,815	17,505	-	309,822
August 31, 2016	$ 608,081	$ 6,340,095	$ 231,155	$ 178,803	$ 7,358,134
Accumulated amortization					
March 1, 2015	$ 408,737	$ 2,625,915	$ 115,870	$ 182,671	$ 3,333,193
Charge	44,091	435,744	21,491	61,904	563,230
Disposals	-	-	-	(130,726)	(130,726)
February 29, 2016	452,828	3,061,659	137,361	113,849	3,765,697
Charge	17,924	211,955	13,274	64,954	308,107
August 31, 2016	$ 470,752	$ 3,273,614	$ 150,635	$ 178,803	$ 4,073,804
Net book value					
March 1, 2015	$ 176,891	$ 3,437,365	$ 57,780	$ 126,858	$ 3,798,894
February 29, 2016	$ 139,751	$ 3,001,621	$ 76,289	$ 64,954	$ 3,282,615
August 31, 2016	$ 137,329	$ 3,066,481	$ 80,520	$ -	$ 3,284,330

During the quarter ended August 31, 2016, the Company capitalized amortization related to resource properties of $306,176 ($275,774 – 2015).

(Unaudited)
(Expressed in Canadian Dollars)

7. RESOURCE PROPERTIES

	Santa Fe (Nevada)	Dublin Gulch (Yukon)	Other properties **	Total
Balance February 29, 2016	$ 7,251,971	$ 105,031,450	$ 1,432,087	$ 113,715,508
Acquisition	-	-	-	-
Salaries and benefits	39,590	342,131	-	381,721
Amortization	-	306,176	-	306,176
Office and administration	12,110	264,151	-	276,261
Land claims and royalties	62,832	35,409	47,637	145,878
Environmental and permitting	34,315	57,090	-	91,405
Reclamation	105,910	-	-	105,910
Government and community relations	-	202,096	-	202,096
Site operations	-	1,086,328	-	1,086,328
Engineering and design	-	1,089,973	-	1,089,973
Assaying	-	351,231	-	351,231
Drilling and indirects	-	1,387,141	-	1,387,141
Other exploration	-	1,025,964	89,090	1,115,054
Asset retirement obligation adjustment	-	-	-	-
Exploration and development costs for the period	254,757	6,147,690	136,727	6,539,174
Currency translation	(152,668)	-	-	(152,668)
Balance August 31, 2016	$ 7,354,060	$ 111,179,140	$ 1,568,814	$ 120,102,014

** Other properties include interests in Donjek, Aurex, CanAlask and Clear Creek in Yukon Territory and Island Mountain in Nevada.

As of August 31, 2016, the $3.6M raised through the flow-through offering (November 26th and December 23rd, 2015) has been fully spent on qualifying expenditures.

(Unaudited)
(Expressed in Canadian Dollars)

	Santa Fe (Nevada)	Dublin Gulch (Yukon)	Other properties **	Total
Balance February 28, 2015	$ 6,311,124	$ 101,626,743	$ 1,349,199	$ 109,287,066
Acquisition	-	-	-	-
Salaries and benefits	91,007	1,186,641	-	1,277,648
Amortization	-	558,245	-	558,245
Office and administration	37,165	676,172	-	713,337
Land claims and royalties	67,018	18,299	73,250	158,567
Environmental and permitting	171,534	260,801	-	432,335
Government and community relations	-	381,128	-	381,128
Site operations	-	84,100	-	84,100
Engineering and design	-	72,424	-	72,424
Assaying	-	-	-	-
Drilling and indirects	-	-	-	-
Other exploration	-	219,785	9,638	229,423
Asset retirement obligation adjustment	(28,906)	(52,888)	-	(81,794)
Exploration and development costs for the period	337,818	3,404,707	82,888	3,825,413
Currency translation	603,029	-	-	603,029
Balance February 29, 2016	$ 7,251,971	$ 105,031,450	$ 1,432,087	$ 113,715,508

** Other properties include interests in Donjek, Aurex, CanAlask and Clear Creek in Yukon Territory and Island Mountain in Nevada.

8. ASSET RETIREMENT OBLIGATIONS

Reclamation and closure costs have been estimated based on the Company’s interpretation of current regulatory requirements and measured with the most reliable information available. Management’s estimate is determined based on the net present value of estimated future cash expenditures for reclamation and closure activities. Reclamation and closure costs are capitalized into Resource properties dependent on the nature of the asset related to the obligation and amortized over the life of the related asset. Future changes to those regulations and standards, as well as changes resulting from operations may result in actual reclamation costs differing from the estimate.

The Company’s asset retirement obligations arise from its obligations to undertake site reclamation and remediation in connection with the Santa Fe and Dublin Gulch properties. The estimated costs of reclamation are based on current regulatory requirements and the estimated reclamation costs at the reporting date using the following assumptions:

a) total undiscounted amount of inflation adjusted future reclamation costs was determined to be $744,988 for Dublin Gulch and $2,260,228 for Santa Fe;
b) weighted average risk-free interest rate at 1.1% and a long-term inflation rate of 2.0%; and
c) expected timing of risk adjusted cash outflows required to settle the obligation will be incurred over the period through 2029 for Dublin Gulch and through 2016 for Santa Fe.

(Expressed in Canadian Dollars)

The following is an analysis of the Company's asset retirement obligation:

	August 31, 2016	February 29, 2016
Balance, beginning of period	$ 2,915,110	$ 2,798,319
Unwinding of discount: ARO	10,737	21,790
Currency translation	(68,478)	175,995
ARO change due to change in estimates	-	(80,994)
Balance, end of period	2,857,369	2,915,110
Less: Current portion	(1,898,233)	(1,951,165)
Long-term liability	$ 959,136	$ 963,945

9. LOSS PER SHARE

(a) Basic

Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to common shareholders by the weighted average number of ordinary shares in issue during the period.

	For the three months ended August 31,		For the six months ended August 31,	
	2016	2015	2016	2015
Net income (loss)	$ (563,589)	$ (112,744)	$ (1,460,056)	$ (835,934)
Weighted average number of common shares issued	449,103,352	340,073,973	414,993,029	340,073,973
Basic earnings (loss) per share	$ (0.001)	$ (0.000)	$ (0.004)	$ (0.002)

(b) Diluted

The effect of potential issuances of shares under options would be anti-dilutive, and accordingly basic and diluted loss per share are the same.

10. SHARE CAPITAL AND OTHER EQUITY

Authorized, issued and outstanding common shares
Common shares, no par value, authorized unlimited number of shares, issued and outstanding were 496,381,057 and 340,073,973 shares as at August 31, 2016 and 2015, respectively.

On May 10, 2016, the Company closed a non-brokered private placement for gross proceeds of C$24,000,000 (the "Offering"). Electrum Strategic Opportunities Fund L.P. ("Electrum") and Sun Valley Gold LLC ("Sun Valley") were the only subscribers to the Offering. The Units were issued at a price of C$0.30 per Unit. Each Unit consisted of one common share in the capital of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share of the Company at a price of C$0.40 for a period of 3 years following the closing of the Offering. Electrum subscribed for 60,000,000 Units, while Sun Valley subscribed for 20,000,000 Units. Upon closing of the private placement, Electrum owned approximately 13.6% of the issued and outstanding shares of the Company while Sun Valley's ownership of the outstanding common shares of the Company increased to approximately 18.0%. There were no finders' fees payable. Other issuance costs totaling $207,707 were paid in conjunction with the Offering. All securities issued pursuant to the Offering were subject to a statutory four month hold period which expired September 11, 2016.

(Expressed in Canadian Dollars)

On June 17, 2016, the Company closed a non-brokered private placement flow-through offering (the “Offering”) raising gross proceeds of $2.85 million, representing the issuance of 4,384,615 common shares priced at $0.65 per share. Finders’ fees and other issuance cost of $114,807 were paid in conjunction with the Offering. The flow-through shares were subject to a four-month hold period.

Deferred premium on flow-through shares

The premium paid for flow-through shares in excess of the market value of the shares without the flow-through features is initially recognized as a liability. The liability is reduced and the reduction of premium liability is recorded as a tax recovery upon filing of appropriate renunciation forms with the Canadian taxation authorities for qualifying expenditures already incurred. As at August 31, 2016, the Company has yet to incur any qualifying exploration expenditures and has recognized a deferred premium liability of $564,808 relating to the flow-through financing completed on June 17, 2016 (see above).

On August 31st, 2016, the Company closed a brokered agreement with a syndicate of underwriters (the "Underwriters") led by Raymond James Ltd., under which the Underwriters have agreed to purchase, on a bought deal basis, common shares (the "Common Shares") to provide the Company with gross proceeds of C$28,778,750 (the "Offering"). The Common Shares were sold at a price of $0.65 per Common Share, for gross proceeds of C$28,778,750. Underwriter’s commission and other issuance costs of $1,846,970 were paid in conjunction with the Offering.

11. SHARE - BASED PAYMENTS – EMPLOYEE SHARE OPTION PLAN AND WARRANTS

Stock options

The Company has adopted a stock option plan (the "Plan") for its directors, officers, employees and consultants to acquire common shares of the Company at a price determined by the fair market value of the shares at the date of grant. At August 31, 2016, 18,468,939 (1,625,314 as at February 29, 2016) additional stock options were available for grant under the Company’s stock option plan.

A summary of the status of the Plan as at August 31, 2016 and as at February 29, 2016, and changes during the periods ended on those dates is presented below:

	August 31, 2016				February 29, 2016			
	Number of stock options		Weighted average exercise price	Fair Value Assigned	Number of stock options		Weighted average exercise price	Fair Value Assigned
Outstanding, beginning of the period	33,415,000	$	0.20	$3,564,847	28,648,750	$	0.26	$4,070,102
Granted	600,000	$	0.70	291,660	7,000,000	$	0.15	622,410
Exercised	(6,623,333)	$	0.25	(963,051)	-	$	-	-
Expired	(50,000)	$	0.12	(2,960)	(2,153,750)	$	0.86	(1,125,303)
Forfeited	-	$	-	-	(80,000)	$	0.15	(2,361)
Outstanding, end of the period	27,341,667	$	0.19	$2,890,496	33,415,000	$	0.20	$3,564,847

(Expressed in Canadian Dollars)

As at August 31, 2016, the Company had stock options issued to directors, officers, employees and contractors of the Company outstanding as follows:

Date of grant	Number of options outstanding	Number of options exercisable		Exercise price	Expiry date
May 18, 2011	110,000	110,000	$	0.74	May 18, 2016 *
August 22, 2011	150,000	150,000	$	0.65	August 22, 2016 *
January 20, 2012	1,615,000	1,615,000	$	0.40	January 20, 2017
May 28, 2012	130,000	130,000	$	0.27	May 28, 2017
September 3, 2012	30,000	30,000	$	0.22	September 3, 2017
January 11, 2013	4,650,000	4,650,000	$	0.25	January 11, 2018
January 10, 2014	6,691,667	6,691,667	$	0.12	January 10, 2019
January 14, 2015	6,685,000	6,685,000	$	0.16	January 14, 2018
December 15, 2015	6,680,000	6,680,000	$	0.15	December 15, 2020
August 9, 2016	600,000	75,000	$	0.70	August 9, 2021
	27,341,667	26,816,667			

* The expiry of these tranches of options was extended as the Company was on blackout at expiry through the end of the quarter.

The fair value of each option is accounted for in the statement of comprehensive loss or capitalized to resource properties over the vesting period of the options, and the related credit is included in contributed surplus.

On August 9, 2016, the Company granted 600,000 incentive stock options with an exercise price of $0.70 per option to directors of the Company. The stock options have a term of five years and expire on August 9, 2021. The fair value of these options totalling $291,660 will be recognized (expensed) over the vesting periods, of which $65,411 has been recognized as at August 31, 2016. The fair value of these options was calculated based on a risk-free annual interest rate of 0.62%, an expected life of 5 years, an expected volatility of 80% and a dividend yield rate of nil. This results in an estimated value of $0.49 per option at the grant date using the Black-Scholes option-pricing model.

Option pricing models require the input of highly subjective assumptions. Changes in assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options at the grant date. The Company uses a forfeiture rate of 8.86%.

(Expressed in Canadian Dollars)

Warrants

The following table summarizes information regarding changes in the Company's warrants outstanding:

	August 31, 2016			February 29, 2016		
	Number of Warrants	Weighted average exercise price	Fair Value	Number of Warrants	Weighted average exercise price	Fair Value
Outstanding, beginning of the period	-	$ -	$ -	-	$ -	$ -
Issued	40,000,000	$ 0.40	6,620,000	-	-	-
Outstanding, end of the period	40,000,000	$ 0.40	$ 6,620,000	-	$ -	$ -

	Number of Warrants	Exercise price	Expiry date
Issued in private placement	40,000,000	$ 0.40	May 10, 2019
	40,000,000		

12. RELATED PARTIES

Related parties include key management personnel, the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

The remuneration of directors and key management of the Company who are not independent for the six months ended August 31, 2016 and 2015 was as follows:

	2016	2015
Salaries and other short term employment benefits	$ 383,310	$ 427,489
Share based compensation	$ 23,865	$ 114,657

The amounts above have been awarded solely to officers of the Company for work performed in their full-time capacity for the Company.

(Unaudited)
(Expressed in Canadian Dollars)

13. COMMITMENTS AND CONTINGENCIES

Operating Leases

At August 31, 2016, the Company has future minimum annual operating lease commitments for vehicles and office premises in: (1) Vancouver, BC, (2) Toronto, Ontario and (3) Whitehorse, Yukon, as follows:

to February 28, 2017	$	141,131
to February 28, 2018		304,823
to February 28, 2019		193,928
to February 29, 2020		169,436
to February 28, 2021 and thereafter		72,696
Total	$	882,014

14. SEGMENTED INFORMATION

The Company's principal activity is the exploration and development of mineral properties. The Company reports separately three operating segments, corporate segment and mineral exploration and development in two geographical segments, Canada and the United States. A breakdown of mineral properties by geographic expenditures is disclosed in *Note 7.*

In millions of Cdn $	**Canada**	**USA**	**Corporate**	**Total**
As at August 31, 2016				
Property and equipment	3.3	-	-	3.3
Resource properties	112.7	7.4	-	120.1
Total Assets	119.8	9.1	60.0	188.9
As at February 29, 2016				
Property and equipment	3.3	-	-	3.3
Resource properties	106.4	7.3	-	113.7
Total Assets	113.6	9.1	10.5	133.2
Period ended August 31, 2016				
Net loss/(income) - Quarter	0.1	-	0.5	0.6
Net loss/(income) - YTD	0.2	-	1.3	1.5
Period ended August 31, 2015				
Net loss/(income) - Quarter	0.1	-	-	0.1
Net loss/(income) - YTD	0.1	-	0.7	0.8

(Unaudited)
(Expressed in Canadian Dollars)

15. SUPPLEMENTARY CASH FLOW INFORMATION

	August 31, 2016	February 29, 2016
Non-cash investing and financing activities:		
Accounts payable and accrued liabilities relating to resource property expenditures	$ 1,363,194	$ 114,308
Stock-based compensation, capitalized to resource properties *(Note 11)*	$ 18,584	$ 313,480
Income taxes paid	$ -	$ -
Interest paid	$ -	$ -