

**Colorado Resources Ltd.**



**Unaudited Condensed Consolidated Interim Financial Statements of**

**COLORADO RESOURCES LTD.**  
**(An Exploration Stage Company)**

**June 30, 2016**

**COLORADO RESOURCES LTD.**  
(An Exploration Stage Company)  
June 30, 2016  
(Expressed in Canadian Dollars)

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## **NOTICE TO READER**

The accompanying unaudited condensed consolidated interim financial statements of the Company for the three months ended June 30, 2016 have been prepared by and is the responsibility of management in accordance with International Financial Reporting Standards applicable to unaudited condensed interim financial reporting.

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

**COLORADO RESOURCES LTD.**

(An Exploration Stage Company)

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION (Unaudited)**

As at June 30, 2016 and March 31, 2016

(Expressed in Canadian Dollars)

|   | Note       | June 30<br>2016      | March 31<br>2016     |
|---|------------|----------------------|----------------------|
| <b>Assets</b>                                     |            |                      |                      |
| <b>Current</b>                                    |            |                      |                      |
| Cash and cash equivalents                         | 5          | \$ 6,590,987         | \$ 2,197,728         |
| Receivables                                       | 6          | 165,142              | 70,798               |
| Prepays and advances                              | 17         | 268,228              | 241,540              |
| Assets held for sale                              | 7          | -                    | 201,753              |
| Available-for-sale investments                    | 8          | 348,000              | 159,375              |
| <b>Total current assets</b>                       |            | <b>7,372,357</b>     | <b>2,871,194</b>     |
| <b>Non-current</b>                                |            |                      |                      |
| Reclamation deposits                              | 9          | 106,000              | 116,000              |
| Property, plant and equipment                     | 10         | 22,568               | 3,918                |
| Exploration and evaluation assets                 | 11, 14, 17 | 10,303,072           | 8,983,181            |
| <b>Total non-current assets</b>                   |            | <b>10,431,640</b>    | <b>9,103,099</b>     |
| <b>Total Assets</b>                               |            | <b>\$ 17,803,997</b> | <b>\$ 11,974,293</b> |
| <b>Liabilities and Shareholders' Equity</b>       |            |                      |                      |
| <b>Current</b>                                    |            |                      |                      |
| Trade and other payables                          | 12, 17     | \$ 894,096           | \$ 168,550           |
| Other liabilities                                 | 13         | 264,610              | 86,169               |
| <b>Total current liabilities</b>                  |            | <b>1,158,706</b>     | <b>254,719</b>       |
| <b>Shareholders' equity</b>                       |            |                      |                      |
| Share capital                                     | 14         | 27,846,522           | 23,542,273           |
| Contributed surplus                               | 14, 15     | 3,456,057            | 3,024,750            |
| Accumulated other comprehensive (loss) income     |            | (170,500)            | 37,500               |
| Accumulated deficit                               |            | (14,486,788)         | (14,884,949)         |
| <b>Total shareholders' equity</b>                 |            | <b>16,645,291</b>    | <b>11,719,574</b>    |
| <b>Total Liabilities and Shareholders' Equity</b> |            | <b>\$ 17,803,997</b> | <b>\$ 11,974,293</b> |

Signed on behalf of the Board of Directors by:

\_\_\_\_\_  
*"Adam Travis"* Director  
Adam Travis

\_\_\_\_\_  
*"Larry Nagy"* Director  
Larry Nagy

**COLORADO RESOURCES LTD.**

(An Exploration Stage Company)

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Unaudited)**

For the three months ended June 30

(Expressed in Canadian Dollars)

|   | Note  | 2016              | 2015                |
|---|-------|-------------------|---------------------|
| <b>Expenses</b>   |       |                   |                     |
| General and administrative                              | 16,17 | \$ 244,824        | \$ 118,691          |
| Depreciation  | 10    | 2,412             | 3,908               |
| Directors fees  |       | 2,000             | 3,000               |
| Pre-exploration expenditures                            |       | 20,432            | 6,830               |
| Loss on foreign exchange                                |       | 2,374             | 3,205               |
| Share-based payments                                    | 15    | 404,274           | 55,189              |
| <b>Total expenses</b>                                   |       | <b>(676,316)</b>  | <b>(190,823)</b>    |
| <b>Other income (expenses)</b>                          |       |                   |                     |
| Interest income   |       | 12,066            | 24,282              |
| Management fees received                                | 11    | 32,837            | -                   |
| Other income  | 13    | 135,616           | -                   |
| Gain on sale of available-for-sale investments          | 8     | 363,385           | -                   |
| Gain on sale of exploration and evaluation assets       | 11    | 530,573           | -                   |
| Write down of available-for-sale-investments            |       | -                 | (46,875)            |
| <b>Net income (loss) for the period</b>                 |       | <b>\$ 398,161</b> | <b>\$ (213,416)</b> |
| <b>Other comprehensive loss</b>                         |       |                   |                     |
| Items that may be recycled through profit and loss:     |       |                   |                     |
| Fair value loss on available-for-sale investments       | 8     | (170,500)         | -                   |
| <b>Total comprehensive income (loss) for the period</b> |       | <b>\$ 227,661</b> | <b>\$ (213,416)</b> |
| <b>Income (loss) per common share basic and diluted</b> | 20    | <b>\$ 0.00</b>    | <b>\$ (0.00)</b>    |

**COLORADO RESOURCES LTD.**

(An Exploration Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)

For the three months ended June 30, 2016 and June 30, 2015

(Expressed in Canadian Dollars)

|                        | Note | Share Capital<br>Amount | Contributed<br>Surplus | Accumulated<br>Other<br>Comprehensive<br>Income | Accumulated<br>Deficit | Total         |
|------------------------|------|-------------------------|------------------------|---|------------------------|---------------|
| Balance March 31, 2015 |      | \$ 22,707,775           | \$ 2,833,079           | \$ -  | \$ (13,951,370)        | \$ 11,589,484 |
| Loss for the period    |      | -                       | -                      | -   | (166,541)              | (166,541)     |
| Share-based payments   | 15   | -                       | 55,189                 | -   | -                      | 55,189        |
| Balance, June 30, 2015 |      | \$ 22,707,775           | \$ 2,888,268           | \$ -  | \$ (14,117,911)        | \$ 11,478,132 |

|   | Note | Share Capital<br>Amount | Contributed<br>Surplus | Accumulated<br>Other<br>Comprehensive<br>Income | Accumulated<br>Deficit | Total         |
|---|------|-------------------------|------------------------|---|------------------------|---------------|
| Balance March 31, 2016                              |      | \$ 23,542,273           | \$ 3,024,750           | \$ 37,500                                       | \$ (14,884,949)        | \$ 11,719,574 |
| Income for the period                               |      | -                       | -                      | -   | 398,161                | 398,161       |
| Shares issued for exploration and evaluation assets | 11   | 64,000                  | -                      | -   | -                      | 64,000        |
| Shares issued for cash                              | 14   | 4,816,106               | -                      | -   | -                      | 4,816,106     |
| Fair value of agents warrants                       | 14   | -                       | 27,033                 | -   | -                      | 27,033        |
| Share issuance costs                                | 14   | (261,800)               | -                      | -   | -                      | (261,800)     |
| Flow-through share premium                          | 14   | (314,057)               | -                      | -   | -                      | (314,057)     |
| Share-based payments                                | 15   | -                       | 404,274                | -   | -                      | 404,274       |
| Available-for-sale-investment                       | 8    | -                       | -                      | (208,000)                                       | -                      | (208,000)     |
| Balance June 30, 2016                               |      | \$27,846,522            | \$3,456,057            | \$ (170,500)                                    | \$ (14,486,788)        | \$16,645,291  |

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

**COLORADO RESOURCES LTD.**

(An Exploration Stage Company)

**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS (Unaudited)**

For the three months ended June 30

(Expressed in Canadian Dollars)

|   | Note   | 2016                | 2015                |
|---|--------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>                                     |        |                     |                     |
| Income (loss) for the period  | 20     | \$ 398,161          | \$ (166,541)        |
| Adjustments to reconcile income (loss) to net cash used in operating activities |        |                     |                     |
| Depreciation  | 10     | 2,412               | 3,908               |
| Share-based payments  | 15     | 404,274             | 55,189              |
| Gain on sale of assets-held-for-sale  | 7      | (530,573)           | 46,875              |
| Gain on sale of available-for-sale-investments                                  | 8      | (363,385)           | -                   |
| Other income  |        | (135,616)           | -                   |
| Changes in non-cash working capital balances:                                   |        |                     |                     |
| Receivables   | 6      | (94,344)            | 7,843               |
| Trade and other payables  | 12, 22 | (24,968)            | (46,859)            |
| Prepaid and advances  |        | (26,688)            | (1,202)             |
| <b>Total cash outflows from operating activities</b>                            |        | <b>(370,727)</b>    | <b>(100,787)</b>    |
| <b>Cash flows from investing activities</b>                                     |        |                     |                     |
| Proceeds from the disposition of exploration and evaluation assets              | 8,11   | 176,326             | -                   |
| Proceeds from the sale of available-for-sale-investments                        | 7      | 522,760             | -                   |
| Purchase of reclamation deposits  | 9      | 10,000              | -                   |
| Purchase of property, plant and equipment                                       | 10     | (21,062)            | -                   |
| Resource property expenditures, <i>net of recoveries</i>                        | 11,22  | (505,378)           | (31,913)            |
| <b>Total cash outflows from investing activities</b>                            |        | <b>182,646</b>      | <b>(31,913)</b>     |
| <b>Cash flows from financing activities</b>                                     |        |                     |                     |
| Exercise of options   | 14     | 14,500              | -                   |
| Exercise of warrants  | 14     | 67,600              | -                   |
| Shares issued for private placement   | 14     | 4,734,006           | -                   |
| Share issuance costs  | 14     | (234,767)           | -                   |
| <b>Total cash inflow provided by financing activities</b>                       |        | <b>4,581,339</b>    | <b>-</b>            |
| <b>Increase in cash during the period</b>                                       |        | <b>4,393,259</b>    | <b>(132,700)</b>    |
| <b>Cash and cash equivalents beginning of period</b>                            |        | <b>2,197,728</b>    | <b>2,154,017</b>    |
| <b>Cash and cash equivalents end of period</b>                                  |        | <b>\$ 6,590,987</b> | <b>\$ 2,021,317</b> |
| <b>Composition of cash and cash equivalents</b>                                 |        |                     |                     |
| Cash  |        | \$ 2,192,987        | \$ 51,442           |
| Cash equivalents  |        | 4,398,000           | 1,923,000           |
| <b>Cash and cash equivalents, end of the period</b>                             |        | <b>\$ 6,590,987</b> | <b>\$ 1,974,442</b> |

See Note 22 for Supplemental Cash-Flow Information

## **COLORADO RESOURCES LTD.**

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2016 AND JUNE 30, 2015

(Expressed in Canadian Dollars)

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### **1. CORPORATION INFORMATION**

Colorado Resources Ltd. (the “Company”) was incorporated on October 9, 2009 under the *Business Corporations Act* (British Columbia). The Company is in the exploration stage and its principal business activities include the acquisition, exploration and development of mineral properties. The Company’s principal properties are located in British Columbia.

The Company is listed on the TSX Venture Exchange (the “Exchange”), having the symbol CXO.V as a Tier 2 issuer and its corporate office and principal place of business are located at 110 – 2300 Carrington Road, West Kelowna, B.C. V4T 2N6

### **2. BASIS OF PREPARATION AND CONTINUANCE OF OPERATIONS**

These condensed interim consolidated financial statements for the three month period ended June 30, 2016 and June 30, 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Company’s 2016 annual financial statements which 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”).

These condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the Company’s 2016 annual financial statements except for new standards, interpretations and amendments mandatorily effective for the first time from April 1, 2016 and income tax expense which is expected for the full financial year.

The condensed interim consolidated financial statements were authorized for issue by the Audit Committee of Board of Directors on August 25, 2016.

The preparation of condensed interim consolidated financial statements in compliance with IAS 34 requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 of the Company’s 2016 annual financial statements.

The financial statements are presented in Canadian Dollars (“CDN”), which is also the Company’s functional currency.

#### **Continuance of Operations**

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has not generated revenues from its operations to date. The Company currently has sufficient cash resources and working capital to meet its work commitment obligations for the next 18 months and has working capital of \$6,213,651 (March 31, 2016 - \$2,616,475). As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company has financed its operations to date primarily through the issuance of common shares and exercise of stock options and share purchase warrants.

The Company has sufficient cash for the next 18 months; however, the Company will continue to have to raise funds beyond its current working capital balance in order to continue its obligations for the KSP property and general operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.



## COLORADO RESOURCES LTD.

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2016 AND JUNE 30, 2015

(Expressed in Canadian Dollars)

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Consolidation

These consolidated financial statements include the accounts of:

|  | <u>% of</u>      | <u>Jurisdiction</u> | <u>Principal Activity</u> |
|--|------------------|---------------------|---------------------------|
|  | <u>Ownership</u> |                     |                           |
| Colorado Gold S.A. de C.V. ("Colorado Gold") | 100%             | Mexico              | Inactive                  |
| Colorado Exploration Inc.                    | 100%             | USA                 | Exploration               |

A subsidiary is an entity that the Company controls, either directly or indirectly. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. All inter-company transactions and balances including unrealized income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

#### Future Accounting Pronouncements

The standards listed below include only those which the Company reasonably expects may be applicable to the Company at a future date. The Company is currently assessing the impact of the standards on the consolidated financial statements.

#### IFRS 9 Financial Instruments

Issued by IASB July, 2014

Effective for annual periods beginning on or after January 1, 2018

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of Embedded Derivatives. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9. However, for annual periods beginning before January 1, 2018, an entity may elect to apply those earlier versions instead of applying the final version of this new standard if its initial application date is before February 1, 2015.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- **Classification and measurement of financial assets:**  
Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".
- **Classification and measurement of financial liabilities:**  
When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- **Impairment of financial assets:**  
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.
- **Hedge accounting:**  
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

**COLORADO RESOURCES LTD.**

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2016 AND JUNE 30, 2015

(Expressed in Canadian Dollars)

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Future Accounting Pronouncements (cont'd)**

• **Derecognition:**

The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

Issued by IASB May, 2014

Effective for annual periods beginning on or after January 1, 2016

Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:

- Clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- Introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- Add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

IFRS 16 Leases

Issued by IASB January, 2016

Effective for annual periods beginning on or after January 1, 2019

Earlier application permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers.

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

**COLORADO RESOURCES LTD.**

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2016 AND JUNE 30, 2015

(Expressed in Canadian Dollars)

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**4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive loss/income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed below:

**Exploration and Evaluation Expenditure**

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company. If, after exploration and evaluation expenditures are capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount the Company carries out an impairment test at the cash generating unit or group of cash generating units level in the year the new information becomes available. Such impairment tests and recoverable value models have a degree of estimation and judgment which may differ in the future.

**Income Taxes**

The Company has not recognized a deferred tax asset as management believes it is not probable that taxable profit will be available against which deductible temporary differences can be utilized.

**Impairment of available-for-sale investments**

Management assesses at the end of each reporting period whether there had been any other-than-temporary impairment on its investments, using objective evidence to determine if the marketable securities are impaired. Listed prices on public stock exchanges are used to determine if the fair value is at a significant and prolonged decline below the historical cost of the marketable securities.

At June 30, 2016 there were no indications that suggest that the Company's marketable securities are impaired, however should there be a prolonged decline in the fair value the Company will assess any required impairment.

**Valuation of share-based payments**

The Company uses the Black-Scholes option pricing model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

**Mineral tax credit**

The Company is entitled to refundable tax credits on qualified resource expenditures incurred in Canada. Management's judgement is applied in determining whether the resource expenditures are eligible for claiming such credits.

**5. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consists of cash on hand, demand deposits with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates. Cash equivalents are held in guaranteed investment certificates with maturity dates ranging from February 13, 2017 – July 21, 2017 with interest rates of 2.1%.

**COLORADO RESOURCES LTD.**

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2016 AND JUNE 30, 2015

(Expressed in Canadian Dollars)

**6. RECEIVABLES**

Sales tax receivable represents input tax credits arising from sales tax levied on the supply of goods purchased or services received in Canada.

The British Columbia tax credits (“BCMET”) receivable represent a refund claim applied for on exploration expenditures incurred in British Columbia pursuant to the *British Columbia Minerals Tax Act*.

|                                     | June 30<br>2016  | March 31<br>2016 |
|-------------------------------------|------------------|------------------|
| Sales taxes receivable              | \$61,874         | \$9,378          |
| British Columbia mining tax credits | 45,617           | \$45,617         |
| Other - Note 17                     | 57,651           | \$15,803         |
|                                     | <b>\$165,142</b> | <b>\$70,798</b>  |

**7. ASSETS HELD FOR SALE**

On April 8, 2016, the Company entered into a property acquisition agreement, subsequently amended on April 29, 2016 (collectively the “Agreement”) with a third party private company (the “Purchaser”) for the sale of its 100% interest in certain mineral claims located in the State of Nevada (the “Claims”), subject to the Company retaining a 1% net smelter returns royalty (“NSR”). The Purchaser is entitled to purchase the NSR for a cash payment of \$1,000,000.

Pursuant to the terms of the Agreement, among other things, the Purchaser is required to complete a Going Public Transaction (as defined in the policies of the Exchange) on or before June 15, 2016 (the “Resulting Issuer”) which was completed on June 7, 2016.

Consideration for the sale of the Claims included the following:

- i) a cash payment of \$200,000 on or before May 9, 2016 (received); and
- ii) the issuance of 400,000 common shares (received) of the Resulting Issuer (the “Consideration Shares”) on or before June 22, 2016 (the “Closing Date”).

As at June 7, 2016, the Company completed the sale of the Claims for cash and Consideration Shares as follows:

|  |           |                  |
|--|-----------|------------------|
| Balance as at March 31, 2015                             | \$        | -                |
| Transfers from exploration and evaluation assets         |           | 201,753          |
| Balance as at March 31, 2016                             | \$        | 201,753          |
| Cash consideration                                       |           | (200,000)        |
| Consideration Shares (Note 8)                            |           | (556,000)        |
| Cost of the transaction, <i>legal and transfer costs</i> |           | 23,674           |
| <b>Gain on sale of exploration and evaluation assets</b> | <b>\$</b> | <b>(530,573)</b> |

**8. AVAILABLE-FOR-SALE INVESTMENTS**

Available-for-sale investments consist of an investment in 400,000 Consideration Shares (American Lithium Corp.). The fair value of the available-for-sale investments has been determined by reference to published price quotations in an active market, a Level 1 valuation. During the period ended June 30, 2016 the Company recorded \$170,000 as a loss (March 31, 2016 - \$Nil) of investment on marketable securities was recognized in other comprehensive (loss) income.

During the period ended June 30, 2016 Company sold its investment of 1,875,000 shares of SnipGold Corporation at for net proceeds of \$522,760 and recorded a gain on the sale of available-for-sale-investment of \$363,389 (March 31, 2016 – \$159,375).

**COLORADO RESOURCES LTD.**

(An Exploration Stage Company)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

FOR THE THREE MONTHS ENDED JUNE 30, 2016 AND JUNE 30, 2015

(Expressed in Canadian Dollars)

**9. RECLAMATION DEPOSITS**

The Company is required to make reclamation deposits in respect of its expected rehabilitation obligations. The reclamation deposits represent collateral for possible reclamation activities necessary on mineral properties in connection with the permits required for exploration activities by the Company on its Hit, North ROK, and KSP properties. The reclamation deposits are held with the Minister of Energy and Mines in British Columbia.

**10. PROPERTY, PLANT AND EQUIPMENT**

|                             | Vehicle  | Furniture &<br>Fixtures | Office<br>Equipment | Field<br>Equipment | Total     |
|-----------------------------|----------|-------------------------|---------------------|--------------------|-----------|
| <b>Cost</b>                 |          |                         |                     |                    |           |
| Balance March 31, 2015      | \$10,528 | \$11,871                | \$44,242            | \$260,737          | \$327,378 |
| Assets acquired             | -        | -                       | -                   | -                  | -         |
| Balance March 31, 2016      | 10,528   | 11,871                  | 44,242              | 260,737            | 327,378   |
| Assets acquired             |          | 1,017                   | 2,582               | 17,464             | 21,062    |
| Balance June 30, 2016       | \$10,528 | \$12,888                | \$46,824            | \$278,201          | \$348,440 |
| <b>Depreciation</b>         |          |                         |                     |                    |           |
| Balance March 31, 2015      | \$7,987  | \$8,587                 | \$37,479            | \$257,052          | \$311,105 |
| Depreciation for the period | 2,541    | 2,196                   | 4,576               | 3,042              | 12,355    |
| Balance March 31, 2016      | 10,528   | 10,783                  | 42,055              | 260,094            | 323,460   |
| Depreciation for the period | 0        | 568                     | 1,046               | 798                | 2,412     |
| Balance June 30, 2016       | \$10,528 | \$11,351                | \$43,101            | \$260,892          | \$325,872 |
| <b>Carrying amounts</b>     |          |                         |                     |                    |           |
| Balance, March 31, 2016     | \$-      | \$2,105                 | \$4,769             | \$18,107           | \$24,980  |
| Balance June 30, 2016       | \$-      | \$1,537                 | \$3,723             | \$17,309           | \$22,568  |

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**11. EXPLORATION AND EVALUATION ASSETS**

|  | British Columbia   |                    |                    |                    |                  | United States   |            | Total               |
|--|--------------------|--------------------|--------------------|--------------------|------------------|-----------------|------------|---------------------|
|  | North ROK          | KSP                | Hit                | Heart Peaks        | KingPin          | Other           | Nevada     |                     |
| <b>Costs</b>                             |                    |                    |                    |                    |                  |                 |            |                     |
| Balance at March 31, 2015                | \$4,854,562        | \$1,171,473        | \$1,284,431        | \$1,194,323        | \$-              | \$5,405         | \$-        | \$8,510,194         |
| Acquisition costs                        | 754                | 109,000            | 183                | -                  | -                | 4,163           | 128,523    | 242,623             |
| Exploration costs                        | 9,674              | 275,766            | 86,345             | 13,039             | -                | 467             | 73,229     | 458,520             |
| British Columbia Mining Tax Credits      | 1,828              | (20,451)           | (6,452)            | (1,250)            | -                | (78)            | -          | (26,403)            |
| Reclassification to Assets Held for Sale | -                  | -                  | -                  | -                  | -                | -               | (201,753)  | (201,753)           |
| Balance at March 31, 2016                | \$4,866,818        | \$1,535,788        | \$1,364,507        | \$1,206,112        | \$-              | \$9,957         | \$-        | \$8,983,181         |
| Acquisition costs                        | -                  | -                  | -                  | -                  | 130,825          | 61              | -          | 130,885             |
| Exploration costs                        | 6,245              | 1,165,439          | 1,141              | -                  | \$14,292         | 1,890           | -          | 1,189,006           |
| <b>Balance at June 30, 2016</b>          | <b>\$4,873,063</b> | <b>\$2,701,227</b> | <b>\$1,365,648</b> | <b>\$1,206,112</b> | <b>\$145,115</b> | <b>\$11,907</b> | <b>\$-</b> | <b>\$10,303,072</b> |

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**11. EXPLORATION AND EVALUATION ASSETS (cont'd)**

***British Columbia***

**North ROK Property**

Colorado holds a 100% interest in 15 mineral tenures forming part of the North ROK Property located in northern British Columbia. As at June 30, 2016 the Company has incurred \$4,873,063 net of BCMET recoveries (March 31, 2016 - \$4,866,818) in acquisition and explorations costs.

**KSP Property**

On November 6, 2013 the Company and SnipGold entered into a non-binding Letter of Agreement and thereafter on December 19, 2013, the parties formalized an option agreement (the "KSP Option") where Colorado has the right to acquire up to an 80% interest in the southeastern portion of SnipGold's Iskut Property and an adjoining area acquired by Colorado through staking (collectively referred to as the "KSP Property"). The KSP Property is located approximately 15 kilometers to the southeast of the past-producing Snip Mine, British Columbia. On June 21, 2016 Seabridge Gold Inc. ("Seabridge") acquired SnipGold and has assumed all obligations of SnipGold.

Consideration for the KSP Option consists of aggregate cash payments of \$500,000 and exploration expenditures of \$6,000,000 over a four-year period to earn an initial 51% interest ("Initial Interest") as follows:

**Cash payments:**

- \$50,000 on signing the Letter of Agreement (paid);
- an additional \$75,000 on or before the first anniversary of December 19, 2014 (paid);
- an additional \$100,000 on or before the second anniversary of December 19, 2015; (paid)
- an additional \$125,000 on or before the third anniversary of December 19, 2016; and
- an additional \$150,000 on or before the fourth anniversary of December 19, 2017.

**Exploration expenditures:**

- a minimum \$500,000 on or before the first anniversary of December 19, 2014 (completed);
- a minimum \$1,000,000 on or before the second anniversary of December 19, 2015 (completed);
- a minimum \$2,000,000 on or before the third anniversary of December 19, 2016; and
- a minimum \$2,500,000 on or before the fourth anniversary of December 19, 2017.

Upon completion of the Initial Interest obligations the Company has 60 days (the "29% Notice Period") to elect to proceed to acquire an additional 29% interest (the "Additional Interest") by incurring further exploration expenditures of \$4,000,000 on or before twelve months from the end of the 29% Notice Period.

Colorado and Seabridge following the earlier of: the exercise of the Initial Interest and expiry of the 29% Notice Period; and the exercise of the Additional 29% Option, will form a conventional, participating joint-venture under which should either party dilute their interest below 15%, that party's interest will be reduced to a 1.5% net smelter return royalty ("NSR"), one-half of which can be purchased for \$2,000,000.

On February 3, 2014 the Company entered into a purchase agreement with a private individual to acquire a 100% interest in two mineral tenures forming part of the KSP Property for a cash purchase price of \$3,000 (paid).

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**11. EXPLORATION AND EVALUATION ASSETS (cont'd)**

*British Columbia* (cont'd)

**KSP Property** (cont'd)

On July 31, 2014 SnipGold (Seabridge) entered into a purchase agreement with a third party to acquire two mineral leases which collectively form part of the KSP Option. Acquisitions costs of \$9,000 provided by the Company form part of its exploration expenditures in accordance with terms of the KSP Option.

December 9, 2014 the Company entered into a purchase agreement (“Snow Purchase”) with a private individual (the “Vendor”) to acquire a 100% interest in one mineral tenure forming part of the KSP Property for a cash purchase price of \$2,500 (paid). The Vendor retained a 2% NSR of which the NSR may be purchased in its entirety for \$1,000,000. In accordance with the KSP Option the additional ground shall form part of the KSP Property.

On December 9, 2014 the Company in connection with the Snow Purchase staked additional ground to acquire an additional mineral tenure and granted a 1% NSR to the Vendor, of which the NSR may be purchased in its entirety for \$500,000. In accordance with the KSP Option the additional ground shall form part of the KSP Property.

On December 16, 2014 the Company entered into a sale and purchase agreement with Teck Resources Limited (“Teck”) to acquire a mineral tenure for consideration of a 2% NSR and in accordance with the KSP Option shall form part of the KSP Property.

As at June 30, 2016, the Company has incurred \$2,701,227 net of BCMET recoveries (March 31, 2016 - \$1,535,788) in acquisition and explorations costs.

**Hit Property**

Colorado holds a 100% interest (subject to certain net smelter return royalties) in 97 mineral tenures located in the Similkameen Mining Division of British Columbia forming the Hit Property, acquired through staking and pursuant to various agreements as follows:

*Cazador Option*

The Company acquired a 100% interest 2 mineral tenures on November 2, 2012 pursuant to an option agreement dated November 2, 2009 between the Company and Cazador Resources Ltd. a private company controlled by a director of the Company. Consideration for the acquisition included the issuance of an aggregate 1,680,000 common shares of the Company.

*Aspen Option*

On April 23, 2012 the Company entered into an option agreement (“Aspen Option”) to acquire 12 mineral claims totaling 5,008 hectares in the Aspen Grove area of south-western British Columbia from the Vendors which form part of the Hit Property. Consideration for the Aspen Option was aggregate cash payments of \$135,000 (\$60,000 paid) and an aggregate issuance of 575,000 (225,000 issued) common shares over four years. The Vendors also retained a 2.5% NSR of which 2% of the NSR may be purchased for \$4,000,000.

On January 13, 2014 the parties amended the Aspen Option to include four additional mineral tenures staked by the Vendors for staking fees of \$694.

On October 24, 2014 the Company and the Vendors amended the terms of the Aspen Option wherein for consideration of the remaining aggregate cash payments of \$75,000 and aggregate share issuances of 350,000 due, the Company transferred four mineral tenures that formed part of its Kinaskan Property (the “Transferred Property”) for a recorded value of \$49,755 in acquisitions costs extinguishing any further payment obligations.



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**11. EXPLORATION AND EVALUATION ASSETS (cont'd)**

***British Columbia*** (cont'd)

**Hit Property** (cont'd)

***Aspen Option*** (cont'd)

The Company has exercised the Aspen Option and acquired a 100% interest in 16 mineral tenures forming part of the Hit Property, that remain subject to the NSR to the Vendors as described hereinabove.

The Transferred Property remains subject to a 2.5% NSR payable to the Company of which 2% may be purchased for \$4,000,000.

***Hit Other***

On September 16, 2011 the Company acquired a 100% interest in 31 additional mineral tenures referred to as the Aspen Grove South Property, located in southern British Columbia from two private individuals (the "Vendors") forming part of the Hit Property. Consideration for the acquisition included the issuance of 100,000 common shares of the Company and the Vendors retained a 2.5% NSR of which the first 1.5% of the NSR may be purchased for \$1,000,000 and the remaining 1% NSR for \$3,000,000.

On November 27, 2012 the Company acquired a 100% interest in 4 additional mineral tenures from two private individuals (the "Vendors") forming part of the Hit Property. Consideration for the acquisition included a cash payment of \$5,000.

On February 27, 2014 the Company entered into a purchase agreement with a private individual to acquire a 100% interest in two mineral tenures forming part of the Hit Property for a cash purchase price of \$25,000 (paid). On the same date, the Company entered into an additional purchase agreement with two private individuals to acquire a 100% interest in 8 mineral tenures forming part of the Hit Property for a cash purchase price of \$5,000 (paid).

The balance of mineral tenures were acquired through staking programs all of which form part of the Hit Property.

As at June 30, 2016 the Company has incurred, \$1,365,648 net of BCMET recoveries (March 31, 2016 - \$1,364,507) in acquisition and exploration costs.

**Heart Peaks Property**

The Heart Peaks Property ("HP Property") was acquired by staking 37 contiguous mineral tenures in the Atlin Mining Division, British Columbia. As at June 30, 2016 the Company has incurred \$1,206,112 net of BCMET recoveries (March 31, 2016 - \$1,206,112) in acquisition and explorations costs.

On September 11, 2015 the Company and Centerra Gold Inc. ("Centerra") entered into an option agreement (the "Centerra Option") whereby Centerra can earn a 70 % interest in the HP Property through making exploration expenditures totaling \$8,000,000 by December 31, 2019 (\$1,500,000 in year one).

Under the terms of the Centerra Option, Colorado will be the project manager on the HP Property for a minimum of two years and will receive a management fee. As at June 30, 2016 Company has received net management fees of \$32,837 (June 30, 2015 - \$Nil).

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**11. EXPLORATION AND EVALUATION ASSETS (cont'd)**

*British Columbia* (cont'd)

**Heart Peaks Property** (cont'd)

Once Centerra earns its 70% interest, a joint venture will be formed for the HP Property between Colorado and Centerra, and parties will be responsible for further contributions towards exploration expenditures on a pro rata basis, or be diluted accordingly. Should either party dilute to a 10% interest or less, its joint venture interest will be converted to a 2% Net Smelter Royalty of which one half can be purchased by the non-diluting party for \$2,000,000.

**KingPin Property**

During the period ended June 30, 2016 the Company acquired a 100% interest in several mineral claims located in the Golden Triangle area in northwestern British Columbia through staking (collectively referred to as the "KingPin Property").

On April 20, 2016 the Company entered into a purchase agreement dated with a third party (the "Vendor"), to acquire a 100% interest in the Max Property subject to a retained 2% net smelter returns royalty (the "NSR") for the following consideration:

1. On signing a \$20,000 cash payment to the Vendor (paid); and
2. 200,000 common shares of Colorado to be issued to the Vendor within 10 days of Exchange approval (issued).

The Company has the option to purchase from the Vendor 1% of the NSR for \$1,000,000 within 240 day of commercial production and thereafter at any time the remaining 1% for \$5,000,000. The Max Property will form part of the KingPin Property and the Agreement.

**Other**

GJ Key property is located 34 km southwest of the Company's North ROK property. As at June 30, 2016 the Company has incurred \$1,922 (March 31, 2016- \$1,922) in acquisition and exploration costs.

The GS Property located approximately 44 km to the southeast of the Company's Heart Peaks Property. As at June 30, 2016 the Company has incurred \$2,854 (March 31, 2016- \$1,821) in acquisition and exploration costs.

As at June 30, 2016 the Company has incurred \$6,214 (March 31, 2016 - \$6,214) in acquisition and exploration costs on 4 mineral tenures located northwest of Stewart, British Columbia.

**USA**

**Nevada**

The Company acquired through staking several lode and placer claims located in the upper Fish Lake Valley in northern Esmeralda County, Nevada. During the period ended June 30, 2016 the Company incurred \$Nil, (March 31, 2016 - \$201,753) in acquisition and exploration expenditures.

The Company entered into an Agreement for sale of the Company's 100% interest in the claims and completed the sale on June 7, 2016. See Note 7 Assets Held for Sale.

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**12. TRADE AND OTHER PAYABLES**

|                                | June 30<br>2016  | March 31<br>2016 |
|--------------------------------|------------------|------------------|
| Trade payables                 | \$801,019        | \$100,445        |
| Accrued Liabilities            | 37,000           | 37,000           |
| Due to related party - Note 17 | 56,077           | 31,105           |
| <b>Total</b>                   | <b>\$894,096</b> | <b>\$168,550</b> |

**13. OTHER LIABILITIES**

|  | Issued on<br>May 31<br>2016 | Issued on<br>May 18<br>2016 | Issued on<br>December 18<br>2015 | Total      |
|--|-----------------------------|-----------------------------|----------------------------------|------------|
| Balance at March 31, 2015  | \$ -                        | \$ -                        | \$ -                             |            |
| Liability incurred on flow-through shares issued                     | -                           | -                           | 93,750                           | 93,750     |
| Settlement of flow-through share liability on incurring expenditures | -                           | -                           | (7,581)                          | (7,581)    |
| Balance at March 31, 2016  | \$ -                        | \$ -                        | \$ 86,169                        | 86,169     |
| Liability incurred on flow-through shares issued                     | 63,000                      | 251,057                     | -                                | 314,057    |
| Settlement of flow-through share liability on incurring expenditures | -                           | (49,447)                    | (86,169)                         | (135,616)  |
| Balance at June 30, 2016   | \$ 63,000                   | \$ 201,610                  | \$ (86,169)                      | \$ 178,441 |

On May 18, 2016 the Company completed Tranche 1 of a private placement of 2,282,334 flow-through common shares at a price of \$0.42 per share for gross proceeds of \$958,580. The Company determined that these shares were issued at a premium of \$0.011 per share based on the share price of \$0.31 on the date of issuance resulting in a liability of \$251,057. As at June 30, 2016 the Company had incurred \$642,323 in flow-through expenditures and had extinguished \$49,477 of the liability. The extinguishment of the liability was recognized as other income of \$49,447 during the period ended June 30, 2016.

On May 31, 2016 the Company completed Tranche 2 of a private placement of 1,260,000 flow-through common shares at a price of \$0.42 per share for gross proceeds of \$529,200. The Company determined that these shares were issued at a premium of \$0.05 per share based on the share price of \$0.37 on the date of issuance resulting in a liability of \$63,000.

As at June 30, 2016 the Company has a commitment to spend the remaining aggregate \$845,727 in eligible expenditures.

On December 18, 2015 the Company completed a private placement of 6,255,000 flow-through common shares at a price of \$0.08 per share. The Company determined that these shares were issued at a premium of \$0.015 per share based on the share price of \$0.065 on the date of issuance resulting in a liability of \$93,750. As at June 30, 2016 the Company had incurred the remaining \$460,057 fulfilling the \$500,000 of qualifying Canadian Exploration expenditures thereby fulfilling the remaining \$86,169 (March 31, 2016 - \$7,581) in relation to this flow-through share financing. The extinguishment of the liability was recognized as other income of \$86,169 during the period ended June 30, 2016.

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**14. SHARE CAPITAL AND RESERVES****Authorized Share Capital**

The Company's authorized share capital consists of an unlimited number of common shares with no par value.

**Common Shares**

|   | Note  | Number     | Price    | Total        |
|---|-------|------------|----------|--------------|
| Balance, March 31, 2015                             |       | 47,229,660 |          | \$22,707,775 |
| Issued for private placement                        | 14    | 7,902,307  | \$ 0.065 | 513,650      |
| Issued for private placement                        | 14    | 6,255,000  | \$ 0.08  | 500,400      |
| Share issue costs                                   | 14    | —          | —        | (85,802)     |
| Flow-through share premium                          | 13    | —          | —        | (93,750)     |
| Balance, March 31, 2016                             |       | 61,386,967 |          | \$23,542,273 |
| Issued for private placement                        | 14    | 9,274,931  | \$ 0.35  | 3,246,226    |
| Issued for private placement                        | 14    | 3,542,333  | \$ 0.42  | 1,487,780    |
| Exercise of share purchase warrants                 | 14    | 520,000    | \$ 0.13  | 67,600       |
| Exercise of options                                 | 14,15 | 50,000     | \$ 0.25  | 12,500       |
| Exercise of options                                 | 14,15 | 25,000     | \$ 0.08  | 2,000        |
| Shares issued for exploration and evaluation assets | 11    | 200,000    | \$ 0.32  | 64,000       |
| Share issue costs                                   | 14    | —          | —        | (261,800)    |
| Flow-through share premium                          | 13    | —          | —        | (314,057)    |
| Balance, June 30, 2016                              |       | 74,999,232 | —        | \$27,846,522 |

During the period ended June 30, 2016 the Company completed the following shares issuances:

On April 26, 2016 the Company issued 200,000 common shares pursuant to the Max Property Agreement forming part of the Company's KingPin property as described Note 11 hereinabove. The common shares were valued at \$64,000 as determined by the market price when issued being \$0.32 per common share;

On May 18, 2016, the Company completed the initial tranche ("Tranche 1"), which consisted of the issuance of 2,211,430 non-flow units at a price of \$0.35 ("NFT Units") and 2,282,334 flow-through units at a price of \$0.42 ("FT Units") for aggregate gross proceeds of \$1,732,580. Each Tranche 1 NFT Unit consisted of one common share in the capital of the Company (a "NFT Share") and one common share purchase warrant (a "NFT Warrant"), with each NFT Warrant entitling the holder to acquire an additional NFT Share at an exercise price of \$0.50 until May 18, 2018. Each Tranche 1 FT Unit consisted of one flow-through common share in the capital of the Company (a "FT Share") and one-half of one non-transferable non-flow through common share purchase warrant. Each whole warrant (a "NFT Warrant") will entitle the holder to purchase one additional common share of the Company (a "NFT Share") at an exercise price of \$0.60 until May 18, 2018.

On May 31, 2016, the Company completed the second tranche ("Tranche 2") which consisted of the issuance of 4,463,500 NFT Units and 1,260,000 FT Units for aggregate gross proceeds of \$2,091,426. Each Tranche 2 NFT Unit consisted of one common share in the capital of the Company (a "NFT Share") and one common share purchase warrant (a "NFT Warrant"), with each NFT Warrant entitling the holder to acquire an additional NFT Share at an exercise price of \$0.50 until May 31, 2018. Each Tranche 2 FT Unit consisted of one flow-through common share in the capital of the Company (a "FT Share") and one-half of one non-transferable non-flow through common share purchase warrant.

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**14. SHARE CAPITAL AND RESERVES**

**Common Shares (cont'd)**

Each whole warrant (a "NFT Warrant") will entitle the holder to purchase one additional common share of the Company (a "NFT Share") at an exercise price of \$0.60 until May 31, 2018.

On June 1, 2016 the Company completed the issuance of 2,600,000 NFT Units for aggregate gross proceeds of \$910,000 (the "Final Tranche"). Each Final Tranche NFT Unit consisted of one common share in the capital of the Company (a "NFT Share") and one common share purchase warrant (a "NFT Warrant"), with each NFT Warrant entitling the holder to acquire an additional NFT Share at an exercise price of \$0.50 until June 1, 2018.

The NFT Warrant and FT Warrants contain an acceleration provision such that if, the closing price of the common shares of the Company on the TSX Venture Exchange is higher than \$0.75 for 20 consecutive trading days then on the 20<sup>th</sup> consecutive trading day (the "Acceleration Trigger Date") the expiry date of the Warrants may be accelerated to the date that is 20 trading days after the Acceleration Trigger Date by the issuance of a news release announcing such acceleration within two trading days of the Acceleration Trigger Date.

The Company has paid aggregate finders' fees in connection with Tranche 1 and Tranche 2 of \$180,777 cash and issued to finders 68,880 warrants at an exercise price of \$0.35 and 128,119 warrants at an exercise price of \$0.42 (collectively the "Finder Warrants"). Each Finder Warrant is otherwise exercisable on the same terms as the warrants issued to investors in the offering.

Additional share issue costs of \$81,023 were incurred in relation to legal, regulatory filing fees and fair value of agents warrants (See Agents Warrants).

During the period ended June 30, 2016 the Company issued 520,000 common shares pursuant to the exercise of share purchase warrants at an exercise price of \$0.13 per common share.

During the period ended June 30, 2016 the Company issued 50,000 common shares pursuant to the exercise of stock options at an exercise price of \$0.25 per common share.

During the period ended June 30, 2016 the Company issued 75,000 common shares pursuant to the exercise of stock options at an exercise price of \$0.08 per common share.

During the year ended March 31, 2016 the Company completed the following shares issuances:

- i) On December 10, 2015 the Company issued 7,902,307 units in the capital of the Company ("Units") at an issue price of \$0.065 per unit, for gross proceeds of \$513,650 (the "Financing"). Each Unit consisted of one common share in the capital of the Company (a "Common Share") and one-half of one non-transferable common share purchase warrant (each whole warrant, a "Warrant"), with each Warrant entitling the holder thereof to acquire an additional Warrant Share at an exercise price of \$0.13 for a period of 24 months expiring on December 10, 2017. The Warrant terms contain an acceleration provision such that if, commencing on April 11, 2016, the closing price of the Colorado shares on the Exchange is higher than \$0.20 for 20 consecutive trading days then, on the 20<sup>th</sup> consecutive trading day (the "Acceleration Trigger Date"), the expiry date of the Warrants may be accelerated to the date that is 20 trading days after the Acceleration Trigger Date by the issuance, within two trading days of the Acceleration Trigger Date, of a news release announcing such acceleration.

All of the Common Shares issued in connection with the Financing and Warrant Shares issued on exercise of the Warrants will be subject to a restricted resale period that expires on April 11, 2016.

Finders acting in connection with the Financing received aggregate cash fees of \$30,780.

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**14. SHARE CAPITAL AND RESERVES****Common Shares (cont'd)**

- ii) On December 18, 2015 the Company issued 6,255,000 flow-through units in the capital of the Company ("FT Units") at an issue price of \$0.08 per unit, for gross proceeds of \$500,400 (the "FT Financing"). Each FT Unit consisted of one common share in the capital of the Company (a "FT Common Share") and one-half of one non-transferable non-flow-through common share purchase warrant (each whole warrant, a "NFT Warrant"), with each NFT Warrant entitling the holder thereof to acquire an additional NFT Warrant Share at an exercise price of \$0.13 for a period of 24 months expiring on December 18, 2017. The NFT Warrant terms contain an acceleration provision such that if, commencing on April 19, 2016, the closing price of the Colorado shares on the Exchange is higher than \$0.20 for 20 consecutive trading days then, on the 20<sup>th</sup> consecutive trading day (the "Acceleration Trigger Date"), the expiry date of the NFT Warrants may be accelerated to the date that is 20 trading days after the Acceleration Trigger Date by the issuance, within two trading days of the Acceleration Trigger Date, of a news release announcing such acceleration.

All of the FT Commons Shares issued in connection with the FT Financing and NFT Warrant Shares issued on exercise of the NFT Warrants will be subject to a restricted resale period that expires on April 19, 2016. Finders acting in connection with the Financing received aggregate cash fees of \$35,712.

Additional share issue costs of \$19,310 were incurred in relation to legal and regulatory filing fees.

**Contributed Surplus**

Contributed surplus consists of the fair value of stock options and warrants granted since inception, less amounts transferred to share capital for exercised stock options and warrants. If granted options vest and then subsequently expire or are forfeited, no reversal of contributed surplus is recognized.

**Share Purchase Warrants**

The following is a summary of changes in share purchase warrants from April 1, 2015 to June 30, 2016:

|                              | Number     | Weighted<br>Average Share<br>Price |
|------------------------------|------------|------------------------------------|
| Balance as at March 31, 2015 | -          | -                                  |
| Issued                       | 7,078,654  | \$0.13                             |
| Balance as at March 31, 2016 | 7,078,654  | \$0.13                             |
| Issued                       | 11,046,096 | \$0.32                             |
| Exercised                    | (520,000)  | \$0.13                             |
| Balance as at June 30, 2016  | 17,604,750 | \$0.37                             |

At June 30, 2016 17,604,750 share purchase warrants were outstanding. Each warrant entitles the holders thereof the right to purchase one common share as follows:

| Number     | Exercise Price | Expiry Date |
|------------|----------------|-------------|
| 3,846,154  | \$0.13         | 10-Dec-17   |
| 2,712,500  | \$0.13         | 18-Dec-17   |
| 2,211,430  | \$0.50         | 18-May-18   |
| 1,141,166  | \$0.60         | 18-May-18   |
| 630,000    | \$0.60         | 31-May-18   |
| 4,463,500  | \$0.50         | 31-May-18   |
| 2,600,000  | \$0.50         | 01-Jun-18   |
| 17,604,750 |                |             |

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**14. SHARE CAPITAL AND RESERVES****Share Purchase Warrants (cont'd)**

As at June 30 2016 17,604,750 (March 31, 2016 – 7,078,654) share purchase warrants were outstanding and exercisable with a weighted average remaining contractual life of 1.7 (March 31, 2016 - 2) years.

**Agents Warrants**

The following is a summary of changes in agent's warrants from April 1, 2015 to June 30, 2016:

|   | Number  | Weighted<br>Average Share<br>Price |
|---|---------|------------------------------------|
| Balance as at March 31, 2015 and March 31, 2016 | —       | —                                  |
| Issued  | 196,999 | \$0.40                             |
| Balance as at June 30, 2016                     | 196,999 | \$0.40                             |

At June 30, 2016 196,999 agent's warrants were outstanding. Each warrant entitles the holders thereof the right to purchase one common share as follows:

| Agent's Warrants | Exercise Price | Expiry Date  |
|------------------|----------------|--------------|
| 61,800           | \$0.35         | May 18, 2018 |
| 128,119          | \$0.42         | May 18, 2018 |
| 7,080            | \$0.35         | May 31, 2018 |
| 196,999          |                |              |

As at June 30 2016 196,999 (March 31, 2016 – Nil) share purchase warrants were outstanding and exercisable with a weighted average remaining contractual life of 1.88 (March 31, 2016 - Nil) years.

**15. SHARE BASED PAYMENTS****Option Plan Details**

The Company adopted a stock option plan (the "Plan") to grant options to directors, senior officers, employees and consultants of the Company. The aggregate outstanding options are limited to 10% of the outstanding common shares. The option price under each option shall be not be less than the discounted market price as defined in the policies of the Exchange on the grant date. All options vest when granted unless otherwise specified by the Board of Directors.

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**15. SHARE BASED PAYMENTS (cont'd)**

The following is a summary of changes in options excluding agent warrants detailed above for the period ended June 30, 2016:

| Grant Date                             | Expiry Date | Exercise Price | Opening Balance  | During the period ended June 30, 2016 |                 |                 | Closing Balance  | Vested and Exercisable | Unvested      |
|--|-------------|----------------|------------------|---------------------------------------|-----------------|-----------------|------------------|------------------------|---------------|
|  |             |                |                  | Granted                               | Exercised       | Expired         |                  |                        |               |
| 14-Sep-11                              | 14-Sep-16   | \$0.70         | 150,000          | —                                     | (50,000)        | —               | 100,000          | 100,000                | —             |
| 6-Jun-12                               | 6-Jun-17    | \$0.30         | 1,102,500        | —                                     | —               | —               | 1,102,500        | 1,102,500              | —             |
| 23-Jan-13                              | 23-Jan-18   | \$0.25         | 100,000          | —                                     | —               | —               | 100,000          | 100,000                | —             |
| 30-Oct-13                              | 30-Oct-18   | \$0.29         | 100,000          | —                                     | —               | —               | 100,000          | 100,000                | —             |
| 1-May-14                               | 1-May-19    | \$0.265        | 995,000          | —                                     | —               | —               | 995,000          | 995,000                | —             |
| 12-Sep-14                              | 12-Sep-19   | \$0.25         | 260,000          | —                                     | —               | —               | 260,000          | 260,000                | —             |
| 7-May-15                               | 7-May-20    | \$0.15         | 970,000          | —                                     | —               | (10,000)        | 960,000          | 960,000                | —             |
| 30-Dec-15                              | 31-Dec-20   | \$0.08         | 2,205,000        | —                                     | (25,000)        | (10,000)        | 2,170,000        | 2,170,000              | —             |
| 6-Jun-16                               | 6-Jun-21    | \$0.44         | —                | 1,085,000                             | —               | —               | 1,085,000        | 1,062,500              | 22,500        |
|  |             |                | <b>5,882,500</b> | <b>1,085,000</b>                      | <b>(75,000)</b> | <b>(20,000)</b> | <b>6,872,500</b> | <b>6,850,000</b>       | <b>22,500</b> |
| <b>Weighted Average Exercise Price</b> |             |                | <b>\$0.19</b>    | <b>\$0.44</b>                         | <b>-</b>        | <b>-</b>        | <b>\$0.23</b>    | <b>\$0.23</b>          | <b>\$0.44</b> |
| <b>Weighted Average Life remaining</b> |             |                | <b>1.69</b>      | <b>3.85</b>                           | <b>-</b>        | <b>-</b>        | <b>3.48</b>      | <b>3.48</b>            | <b>4.94</b>   |

| Grant Date                             | Expiry Date | Exercise Price | Opening Balance  | During the year ended March 31, 2016 |           |                    | Closing Balance  | Vested and Exercisable | Unvested |
|--|-------------|----------------|------------------|--------------------------------------|-----------|--------------------|------------------|------------------------|----------|
|  |             |                |                  | Granted                              | Exercised | Expired            |                  |                        |          |
| 26-Nov-10                              | 26-Nov-15   | \$0.70         | 920,000          | —                                    | —         | (920,000)          | —                | —                      | —        |
| 25-Mar-11                              | 25-Mar-16   | \$0.90         | 105,000          | —                                    | —         | (105,000)          | —                | —                      | —        |
| 14-Sep-11                              | 14-Sep-16   | \$0.70         | 150,000          | —                                    | —         | —                  | 150,000          | 150,000                | —        |
| 6-Jun-12                               | 6-Jun-17    | \$0.30         | 1,102,500        | —                                    | —         | —                  | 1,102,500        | 1,102,500              | —        |
| 23-Jan-13                              | 23-Jan-18   | \$0.25         | 100,000          | —                                    | —         | —                  | 100,000          | 100,000                | —        |
| 30-Oct-13                              | 30-Oct-18   | \$0.29         | 100,000          | —                                    | —         | —                  | 100,000          | 100,000                | —        |
| 1-May-14                               | 1-May-19    | \$0.265        | 995,000          | —                                    | —         | —                  | 995,000          | 995,000                | —        |
| 12-Sep-14                              | 12-Sep-19   | \$0.25         | 260,000          | —                                    | —         | —                  | 260,000          | 260,000                | —        |
| 7-May-15                               | 7-May-20    | \$0.15         | —                | 970,000                              | —         | —                  | 970,000          | 970,000                | —        |
| 30-Dec-15                              | 31-Dec-20   | \$0.08         | —                | 2,205,000                            | —         | —                  | 2,205,000        | 2,205,000              | —        |
|  |             |                | <b>3,732,500</b> | <b>3,175,000</b>                     | <b>—</b>  | <b>(1,025,000)</b> | <b>5,882,500</b> | <b>5,882,500</b>       | <b>—</b> |
| <b>Weighted Average Exercise Price</b> |             |                | <b>\$0.42</b>    | <b>\$0.10</b>                        | <b>—</b>  | <b>\$0.72</b>      | <b>\$0.26</b>    | <b>\$0.19</b>          | <b>—</b> |
| <b>Weighted Average Life remaining</b> |             |                | <b>2.47</b>      | <b>3.88</b>                          | <b>—</b>  | <b>—</b>           | <b>1.69</b>      | <b>1.69</b>            | <b>—</b> |



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**15. SHARE BASED PAYMENTS (cont'd)****Fair Value of Options Issued During the Year**

The weighted average fair value at grant date of options granted during the period ended June 30, 2016 was \$.10 per option (June 30, 2015 - \$0.06).

| Grant Date | Expiry Date | Share Price at Grant Date | Exercise Price | Risk-Free-Interest Rate | Expected Life | Volatility Factor | Dividend Yield |
|------------|-------------|---------------------------|----------------|-------------------------|---------------|-------------------|----------------|
| 06-Jun-16  | 06-Jun-21   | \$0.47                    | \$0.44         | 0.62%                   | 5             | 114.63            | 0              |
| 30-Dec-15  | 31-Dec-20   | \$0.08                    | \$0.08         | 0.82%                   | 5             | 107.14%           | 0              |
| 7-May-15   | 7-May-20    | \$0.09                    | \$0.15         | 0.83%                   | 5             | 93.70%            | 0              |

The expected price volatility is based on the historic volatility (based on the expected life of the options), adjusted for any expected changes to future volatility due to publicly available information.

## i) Expenses Arising from Share-based Payment Transactions

Total expenses arising from share-based payment transactions recognized during the period ended June 30, 2016 were \$404,274 (June 30, 2015 - \$55,189).

## ii) Weighted average remaining contractual life of stock options

The weighted average remaining contractual life of stock options as at June 30, 2016 is 3.48 years (March 31, 2015 – 1.69).

**16. ADMINISTRATIVE AND GENERAL EXPENSES**

|   | Note | June 30<br>2016   | June 30<br>2015   |
|---|------|-------------------|-------------------|
| <b>Administrative and General Expenses include:</b>   |      |                   |                   |
| Accounting and legal                                  |      | \$ 5,596          | \$ 7,162          |
| Consulting  | 17   | 126,318           | 47,210            |
| Investor relations, website development and marketing |      | 41,996            | 4,300             |
| Office and administration fees                        |      | 51,825            | 41,528            |
| Regulatory fees                                       |      | —                 | 310               |
| Shareholder communications                            |      | 6,144             | 581               |
| Transfer agent fees                                   |      | 1,212             | 972               |
| Travel  |      | 7,097             | 4,106             |
| Wages   |      | 4,636             | 12,522            |
|   |      | <b>\$ 244,824</b> | <b>\$ 118,691</b> |

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**17. RELATED PARTY TRANSACTIONS**

Transactions with related parties were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**Key Management Compensation**

|                           | June 30<br>2016  | June 30<br>2015  |
|---------------------------|------------------|------------------|
| Administration and labour | \$32,123         | \$25,400         |
| Consulting fees           | \$161,506        | \$64,470         |
| Share based payments      | \$180,500        | \$39,000         |
|                           | <b>\$374,128</b> | <b>\$128,870</b> |

- i) Consulting fees of \$70,601 (June 30, 2015 - \$22,420) of which \$10,735 (June 30, 2015 - \$1,520) was capitalized to exploration and evaluation assets were paid or accrued to Cazador, a company controlled by Adam Travis, the President and Chief Executive Officer of the Company;
- ii) Administration and labour fees of \$11,085 (June 30, 2015 - \$12,975) were paid or accrued to Cazador in relation to the Company's general corporate administration;
- iii) Consulting fees of \$40,863 (June 30, 2015 - \$24,525) were paid or accrued to Minco, a company controlled by Terese Gieselman, the Chief Financial Officer and Corporate Secretary of the Company;
- iv) Administration fees of \$21,033 were paid or accrued to Minco in relation to providing administrative and accounting employment services (June 30, 2016 - \$12,425);
- v) Consulting fees of \$24,233 (June 30, 2015 - \$14,600) of which \$22,838 (June 30, 2015 - \$9,372) was capitalized to exploration and evaluation assets were paid or accrued to Greg Dawson, the Company's VP Exploration;
- vi) Consulting fees of \$3,900 (June 30, 2015 - \$2,925) were paid or accrued to 43983 Yukon Inc. ("43983") a company controlled by Larry Nagy, a director of the Company;
- vii) Consulting fees of \$21,900 (June 30, 2015 - \$Nil) of which \$1,800 (June 30, 2015 - \$Nil) was capitalized to exploration and evaluation assets were paid or accrued to Carl Hering a director of the Company; and
- viii) Share-based payments are the fair value of options granted to key management personnel.

**Related Party Liabilities Included in Trade and Other Payables:**

| Amounts due to:                 | Service for:    | June 30<br>2016 | March 31<br>2016 |
|---------------------------------|-----------------|-----------------|------------------|
| Cazador Resources Ltd.          | Consulting Fees | \$29,416        | \$200            |
| Greg Dawson                     | Consulting Fees | 5,462           | 4,434            |
| Carl Hering                     | Consulting Fees | —               | 17,439           |
| Minco Corporate Management Inc. | Consulting Fees | 20,540          | —                |
| Minco Corporate Management Inc. | Expenses        | 659             | —                |
| William Lindqvist <sup>1</sup>  | Consulting Fees | —               | 6,000            |
| 43983 Yukon Inc.                | Consulting Fees | —               | 3,032            |
|                                 |                 | <b>\$56,077</b> | <b>\$31,105</b>  |

<sup>1</sup> William Lindqvist is a director of the Company

**Related Party Receivables**

| Amounts due from:      | Service for:    | June 30<br>2016 | March 31<br>2016 |
|------------------------|-----------------|-----------------|------------------|
| Cazador Resources Ltd. | Expenses        | \$44            | \$1,943          |
| Damara                 | Rent & Expenses | 6,153           | 3,706            |
|                        |                 | <b>\$5,649</b>  | <b>\$5,649</b>   |

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**17. RELATED PARTY TRANSACTIONS (cont'd)****Related Party Advances**

As at June 30, 2016, \$225,000 (March 31, 2016 - \$225,000) remained advanced to Damara Gold Corp., which has two common directors, Larry Nagy and William Lindqvist of the Company, in connection with property evaluation expenditures. The loan is interest-bearing (15% per annum) and due within 12 months from advancement at the election of Colorado should the companies not proceed on a transaction. The parties have elected not to proceed and are working towards settlement of the debt.

**18. SEGMENT REPORTING**

The Company operates in one industry segment, the mineral resources industry, and in two geographical segments, Canada and the United States.

|                                   | June 30             |          |                     | March 31           |
|-----------------------------------|---------------------|----------|---------------------|--------------------|
|                                   | Canada              | USA      | Total               | Canada             |
| Prepays and advances              | \$268,228           | \$ -     | \$268,228           | \$241,540          |
| Assets held for sale              | -                   | -        | \$-                 | 201,753            |
| Reclamation Deposits              | 106,000             | -        | \$106,000           | 116,000            |
| Property, plant and equipment     | 22,568              | -        | \$22,568            | 3,918              |
| Exploration and evaluation assets | 10,303,072          | -        | \$10,303,072        | 8,983,181          |
| <b>Total</b>                      | <b>\$10,699,868</b> | <b>-</b> | <b>\$10,699,868</b> | <b>\$9,546,392</b> |

| For the period ended June 30              | 2016             | 2015                |
|---|------------------|---------------------|
| Net income (loss) for the period - Canada | \$398,161        | \$ (213,416)        |
| Net loss for the period - USA             | -                | -                   |
| <b>Net loss for the period</b>            | <b>\$398,161</b> | <b>\$ (213,416)</b> |

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**19. INCOME TAXES**

The Company has estimated non-capital losses for Canada Canada of \$6,323,000 for tax purposes that may be carried forward to reduce taxable income derived in future years, as summarized below:

Non-capital Canadian tax losses expiring as follows:

| Year of Expiry | Taxable Losses     |
|----------------|--------------------|
| 2030           | \$71,000           |
| 2031           | 676,000            |
| 2032           | 1,177,000          |
| 2033           | 985,000            |
| 2034           | 1,270,000          |
| 2035           | 1,122,000          |
| <b>2036</b>    | <b>1,022,000</b>   |
| <b>Total</b>   | <b>\$6,323,000</b> |

**Flow-through Shares**

Flow-through common shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through common shares on Canadian qualifying exploration expenditures. The Company may 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 the required exploration expenditures.

During the period ended June 30, 2016, the Company received \$1,487,780 (March 31, 2016 - \$500,400) from the issue of flow-through shares. These amounts will not be available to the Company for future deduction from taxable income. During the period ended March 31, 2016, the Company renounced \$Nil (March 31, 2016 - \$500,400) to the subscribers (See Note 13).

The Company's tax position is calculated annually and readers are referred to the audited consolidated financial statements for the year ended March 31, 2016 for further details.

**20. LOSS PER SHARE**

Basic loss per share amounts are calculated by dividing the net loss for the period by the weighted average number of ordinary shares outstanding during the period.

|  | June 30<br>2016   | June 30<br>2015 |
|--|-------------------|-----------------|
| Loss attributable to ordinary shareholders | <b>\$227,661</b>  | (\$213,416)     |
| Weighted average number of common shares   | <b>64,483,699</b> | 47,229,660      |
| Basic and diluted loss per share           | <b>\$0.00</b>     | \$(0.00)        |

**21. COMMITMENTS AND CONTINGENCIES**

On April 1, 2016 the Company entered into a one year lease with Canada West Realty Ltd. for increased office space at an annual rent payable of \$57,513 with an option to renew for an additional year at an agreed rate between the parties.

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**22. SUPPLEMENTAL CASH FLOW INFORMATION**

Investing and financing activities that do not have a direct impact on cash flows are excluded from the consolidated statements of cash flows. During the period ended June 30, 2016 and June 30, 2015 the following transactions were excluded from the consolidated statements of cash flows:

- i) The Company issued 200,000 (June 30, 2015 – Nil) common shares valued at \$64,000 (June 30, 2015 - \$Nil) for acquisition of exploration and evaluation assets, as determined by their market prices when issued (Notes 11 and 14).
- ii) Exploration and evaluation assets payable amounts of \$750,513 (June 30, 2015 - \$21,651) were included in accounts payable at June 30, 2016.
- iii) A compensation charge of \$27,033 (June 30, 2015 - \$Nil) associated with the grant of 196,999 (June 30, 2015 – Nil) Agent Warrants was recorded as share issue costs at June 30, 2016 - see Note 14.
- iv) During the periods ended June 30, 2016 and June 30, 2015 no cash was paid for interest or income taxes.

**25. EVENTS AFTER THE REPORTING DATE**

**Warrants**

Subsequent to June 30, 2016, the Company issued 1,375,000 common shares pursuant to the exercise of share purchase warrants at an exercise price of \$0.13 per common share.

**Stock Options**

Subsequent to June 30, 2016 the Company issued 100,000 common shares pursuant to the exercise of stock options at an exercise price of \$0.08 per common share.

Subsequent to June 30, 2016 the Company issued 100,000 common shares pursuant to the exercise of stock options at an exercise price of \$0.15 per common share.

Subsequent to June 30, 2016 the Company issued 100,000 common shares pursuant to the exercise of stock options at an exercise price of \$0.25 per common share.