GOLDQUEST
TSXV:GQC

GOLDQUEST MINING CORP.

Consolidated Financial Statements

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Goldquest Mining Corp.

We have audited the accompanying consolidated financial statements of Goldquest Mining Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Goldquest Mining Corp. as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

April 27, 2017

GoldQuest Mining Corp.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at		**December 31, 2016**		**December 31, 2015**
ASSETS				
Current assets				
Cash and cash equivalents (note 4)	**$**	**6,283,734**	$	4,406,100
Amounts receivable (note 5)		**195,874**		68,978
Prepaid expenses		**274,987**		267,455
Deposits		**10,284**		122,360
Total current assets		**6,764,879**		4,864,893
Non-current assets				
Long-term investment (note 6)		**64,500**		27,000
Equipment (note 7)		**106,559**		101,639
Evaluation and exploration assets (note 8)		**1,247,000**		1,247,000
Total non-current assets		**1,418,059**		1,375,639
TOTAL ASSETS	**$**	**8,182,938**	$	6,240,532
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (notes 10 and 12(b))	**$**	**646,802**	$	440,347
TOTAL LIABILITIES		**646,802**		440,347
EQUITY				
Share capital (note 11)	**$**	**49,308,286**	$	40,223,041
Other reserve		**8,918,403**		8,503,320
Stock options reserve		**5,373,358**		4,418,794
Warrants reserve		**901,527**		759,357
Accumulated other comprehensive income		**40,500**		3,000
Deficit		**(57,005,938)**		(48,107,327)
TOTAL EQUITY		**7,536,136**		5,800,185
TOTAL EQUITY AND LIABILITIES	**$**	**8,182,938**	$	6,240,532

Corporate information and continuance of operations (note 1)
Commitments (note 13)
Segmented information (note 14)
Subsequent events (note 18)

See accompanying notes to these consolidated financial statements.

APPROVED BY THE BOARD:
/s/ Julio Espaillat Director   */s/ Florian Siegfried Director*

GoldQuest Mining Corp.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

		For the year ended December 31, 2016		December 31, 2015
EXPENSES				
Depreciation (note 7)	**$**	**42,544**	$	50,972
Directors' fees and management remuneration		**720,910**		622,000
Evaluation and exploration costs (note 9)		**5,225,205**		3,270,709
Foreign exchange loss (gain)		**124,623**		(278,943)
General and administrative		**210,304**		238,883
Investor relations and promotion		**260,531**		149,466
Professional fees		**199,532**		141,068
Regulatory and transfer agents		**51,528**		75,325
Rent		**49,167**		53,392
Salaries and wages		**261,514**		270,355
Share-based payments (note 11(d))		**1,662,776**		228,275
Travel		**127,904**		63,004
TOTAL EXPENSES		**8,936,538**		4,884,506
OTHER ITEMS				
Interest income		**(37,927)**		(14,346)
Fair value loss on available-for-sale investment (note 6)		-		75,756
LOSS FOR THE YEAR	**$**	**8,898,611**	$	4,945,916
OTHER COMPREHENSIVE LOSS				
Unrealized gain on available-for-sale investment (note 6)		**(37,500)**		(3,000)
TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**$**	**8,861,111**	$	4,942,916
Basic and diluted loss per share for the year attributable to common shareholders (warrants and options not included as the impact would be anti-dilutive)	**$**	**0.04**	$	0.03
Weighted average number of common shares outstanding - basic and diluted		**201,388,338**		151,636,026

See accompanying notes to these consolidated financial statements.

GoldQuest Mining Corp.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share capital		Reserves					
	Number of shares	**Amount**	**Other reserve**	**Stock options reserve**	**Warrants reserve**	**Accumulated other comprehensive income**	**Deficit**	**Total**
Balance at December 31, 2014	**145,755,044**	**$ 37,571,448**	**$ 8,357,754**	**$ 4,355,843**	**$ -**	**$ -**	**$ (43,161,411)**	**$ 7,123,634**
Shares and warrants issued for cash - private placement	31,727,181	2,763,863	-	-	726,127			**3,489,990**
Share issue costs	-	(126,798)		-	-	-		**(126,798)**
Fair value of finder's warrants	-	(33,230)	-	-	33,230	-	-	**-**
Shares issued for cash - exercise of stock options	200,000	28,000	-	-	-	-	-	**28,000**
Reclassification of grant-date fair value on exercise of stock options	-	19,758	-	(19,758)	-	-	-	**-**
Reclassification of grant-date fair value on expired stock options	-	-	145,566	(145,566)	-	-	-	**-**
Share-based payments	-	-	-	228,275	-	-	-	**228,275**
Other comprehensive income	-	-	-	-	-	3,000	-	**3,000**
Loss for the year	-	-	-	-	-	-	(4,945,916)	**(4,945,916)**
Balance at December 31, 2015	**177,682,225**	**$ 40,223,041**	**$ 8,503,320**	**$ 4,418,794**	**$ 759,357**	**$ 3,000**	**$ (48,107,327)**	**$ 5,800,185**
Shares and warrants issued for cash - private placement	32,678,750	8,692,000	-	-	-	-	-	**8,692,000**
Share issue costs	-	(730,584)	-	-	-	-	-	**(730,584)**
Fair value of finder's warrants	-	(273,001)	-	-	273,001	-	-	**-**
Shares issued for cash - exercise of warrants	3,136,409	504,788	-	-	21,584	-	-	**526,372**
Shares issued for cash - exercise of stock options	2,235,000	446,498	-	-	-	-	-	**446,498**
Reclassification of grant-date fair value on exercise of warrants	-	152,415	-	-	(152,415)	-	-	**-**
Reclassification of grant-date fair value on exercise of stock options	-	293,129	-	(293,129)	-	-	-	**-**
Reclassification of grant-date fair value on expired stock options	-	-	415,083	(415,083)				**-**
Share-based payments	-	-	-	1,662,776	-	-	-	**1,662,776**
Other comprehensive income	-	-	-	-	-	37,500	-	**37,500**
Loss for the year	-	-	-	-	-	-	(8,898,611)	**(8,898,611)**
Balance at December 31, 2016	**215,732,384**	**$ 49,308,286**	**$ 8,918,403**	**$ 5,373,358**	**$ 901,527**	**$ 40,500**	**$ (57,005,938)**	**$ 7,536,136**

See accompanying notes to these consolidated financial statements.

GoldQuest Mining Corp.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	For the year ended December 31, 2016	For the year ended December 31, 2015
Cash flows provided from (used by):		
OPERATING ACTIVITIES		
Net loss for the year	**$ (8,898,611)**	$ (4,945,916)
Adjustments for items not affecting cash:		
Depreciation	**50,666**	66,316
Share-based payments	**1,662,776**	228,275
Fair value loss on available-for-sale investments	**-**	75,756
Shares received for exploration data exchange (note 6)	**-**	(24,000)
	(7,185,169)	(4,599,569)
Net changes in non-cash working capital items:		
Amounts receivable	**(126,896)**	(44,642)
Prepaid expenses	**(7,532)**	(137,682)
Deposits	**112,076**	(23,701)
Accounts payable and accrued liabilities	**206,455**	199,211
Net cash flows used in operating activities	**(7,001,066)**	(4,606,383)
FINANCING ACTIVITIES		
Proceeds from share issuance, net of share issue costs	**8,934,286**	3,391,192
Net cash flows from financing activities	**8,934,286**	3,391,192
INVESTING ACTIVITIES		
Purchase of equipment	**(55,586)**	(2,760)
Net cash flows used in investing activities	**(55,586)**	(2,760)
Net decrease in cash and cash equivalents	**1,877,634**	(1,217,951)
Cash and cash equivalents, beginning of year	**4,406,100**	5,624,051
Cash and cash equivalents, end of year	**$ 6,283,734**	$ 4,406,100
Cash received during the year from interest	**$ 37,927**	$ 14,346
Supplementary cash flow information		
Finders' warrants issued (note 11(b))	**$ 273,001**	$ 33,230
Fair value of warrants issued (note 11(b))	**21,584**	726,127
Reclassification of the fair value of warrants exercised	**152,415**	-
Reclassification of the fair value of options exercised	**293,129**	19,758
Reclassification of the fair value of options expired	**415,083**	145,566
	$ 1,155,212	$ 924,681

See accompanying notes to these consolidated financial statements.

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

GoldQuest Mining Corp. (the "Company" or "GoldQuest") is a publicly listed company incorporated in British Columbia on July 12, 1989 and its shares are listed on the TSX Venture Exchange under the symbol "GQC". The Company together with its subsidiaries (collectively referred to as the "Company") is engaged in the identification, acquisition and exploration of mineral properties in the Dominican Republic. The Company's registered office is located at Suite 2600, 595 Burrard Street, Vancouver, British Columbia, V7X 1L3.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of evaluation and exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values. The Company's exploration assets are located outside of Canada and are subject to the risk of foreign investment, including political uncertainty, increases in taxes and royalties, renegotiation of contracts and currency exchange fluctuations.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, other land claims and non-compliance with regulatory and environmental requirements.

These consolidated financial statements have been prepared on the assumption that the Company and its subsidiaries will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at December 31, 2016, the Company had not advanced its property to commercial production. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to funds operating costs over the next twelve months with cash and cash equivalents and through further equity financings. Management believes that the Company has sufficient working capital to meet its liabilities for the next twelve months.

The consolidated financial statements of GoldQuest for the year ended December 31, 2016 were approved by the Board of Directors on April 27, 2017.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

a) *Statement of compliance with International Financial Reporting Standards*

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The policies set out below were consistently applied to all periods presented unless otherwise noted below.

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

b) *Basis of preparation*

These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective on December 31, 2016.

c) *Basis of consolidation*

These consolidated financial statements comprise the accounts of the Company and the following wholly-owned subsidiaries of the Company:

- GoldQuest Mining (BVI) Corp., a company incorporated under the laws of British Virgin Islands ("BVI");
- Goldquest Dominicana SRL (formerly known as INEX Ingeniería y Exploración S.A.), a company incorporated under the laws of Dominican Republic.

All subsidiaries have a reporting date of December 31.

i. Subsidiaries

A subsidiary is an entity over which the Company has power to govern the operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

ii. Acquisitions and disposals

The results of businesses acquired during the reporting period are brought into the consolidated financial statements from the date the control is transferred; the results of businesses sold during the reporting period are included in the consolidated financial statements for the period up to the date the control is ceased.

Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the interest which has been sold. Where a disposal represents a separate major line of business or geographical area of operations, the net results attributable to the disposed entity are shown separately in the statement of loss and comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

d) Significant management judgment and estimates in applying accounting policies

<u>CRITICAL ACCOUNTING ESTIMATES</u>

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to commence and complete development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets properties.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

d) Significant management judgment and estimates in applying accounting policies (continued)

CRITICAL ACCOUNTING JUDGMENTS

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currency of the Company and its subsidiaries is the Canadian dollar, as this is the currency of the primary economic environment in which the Company operates.

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into a known amount of cash and which are subject to insignificant risk of changes in value, net of bank overdrafts which are repayable on demand.

f) Financial instruments

Financial assets

Financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as loans and receivables are measured at amortized cost less impairment. The Company has classified its amounts receivable as loans and receivables.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company has classified its cash and cash equivalents as FVTPL.

Financial assets classified as held-to-maturity are measured at amortized cost. The Company has no financial assets classified as held-to-maturity.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company has classified its long-term investment as available-for-sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

f) Financial instruments (continued)

Financial liabilities

Financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or classified as other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. The Company has classified its accounts payable and accrued liabilities as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of loss. The Company has no financial liabilities classified as FVTPL.

Derecognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of loss.

Impairment of financial assets

The Company assesses at each financial reporting date whether a financial asset is impaired.

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans and receivables and held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss. Objective evidence of impairment of loans and receivables exists if the counter-party is experiencing significant financial difficulty, there is a breach of contract, concessions are granted to the counter-party that would not normally be granted, or it is probable that the counter-party will enter into bankruptcy or a financial reorganization.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

g) Taxation

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

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

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

h) Loss per share

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year. The diluted earnings (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period, if dilutive.

i) Share-based payments

Share-based payment transactions

Employees (including directors and senior executives) of the Company, and individuals providing similar services to those performed by direct employees, receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments issued to non-employees are measured at the fair value of goods or services received.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

i) Share-based payments (continued)

Equity-settled transactions

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the year in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a year represents the movement in cumulative expense recognized as at the beginning and end of that year and the corresponding amount is represented in stock option reserve. No expense is recognized for awards that do not ultimately vest. For those awards that expire after vesting, the recorded value is transferred to other reserve.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share unless it is considered to be anti-dilutive.

Other reserve

Other reserve records the fair value of the expired options and warrants initially recorded in stock options reserve and warrants reserve.

Warrants reserve

The warrants reserve records the grant date fair value of the warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to other reserve.

Stock options reserve

The stock options reserve records items recognized as share-based payments expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to other reserve.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

j) Evaluation and exploration

Evaluation and exploration assets

Evaluation and exploration assets include acquired mineral rights for mineral exploration properties held by the Company. The amount of consideration paid (in cash or share value) for mineral rights is capitalized. The amounts shown for evaluation and exploration assets represent costs of acquisition, incurred to date, less recoveries, and do not necessarily reflect present or future values. These costs will be written off if the evaluation and exploration assets are abandoned or sold. Included in the cost of evaluation and exploration assets is the cost of any estimated decommissioning liability. The Company has classified evaluation and exploration assets as intangible in nature. Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon reserves.

Ownership in evaluation and exploration assets involves certain inherent risks, including geological, metal prices, operating costs, and permitting risks. Many of these risks are outside the Company’s control. The ultimate recoverability of the amounts capitalized for the evaluation and exploration assets is dependent upon the delineation of economically recoverable ore reserves, obtaining the necessary financing to complete their development, obtaining the necessary permits to operate a mine, and realizing profitable production or proceeds from the disposition thereof. Management’s estimates of recoverability of the Company’s investment in its evaluation and exploration assets have been based on current and expected conditions. However, it is possible that changes could occur which could adversely affect management’s estimates and may result in future write downs of evaluation and exploration assets carrying values.

Evaluation and exploration costs

Evaluation and exploration costs, other than those described above, are expensed as incurred until such time as mineral reserves are proven or probable, permits to operate the mineral resource property are received and financing to complete development has been obtained. Following confirmation of mineral reserves, receipt of permits to commence mining operations and obtaining necessary financing, evaluation and exploration costs are capitalized as deferred development expenditures included within equipment.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

k) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's cash-generating unit's ("CGU") fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For evaluation and exploration assets, indicators of impairment include, but are not limited to, expiration of a right to explore, no budgeted or planned material expenditure in an area, or a decision to discontinue exploration in a specific area.

Impairment losses of continuing operations are recognized in net loss in those expense categories consistent with the function of the impaired asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years.

l) Currency translation

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

The functional currency for each entity in the Company is determined as the currency of the primary economic environment in which it operates. Transactions other than those in the functional currency of the entity are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are translated at year end exchange rates. Gains and losses on translation are included in net profit or loss for the year.

The functional currency of the entities in the Company has remained unchanged during the reporting year.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

m) Equipment

Equipment and vehicles are initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognized within provisions. All items of equipment and vehicles are subsequently carried at depreciated cost less impairment losses, if any.

Depreciation is provided on all items of equipment and vehicles to write off the carrying value of items over their expected useful economic lives. Depreciation is provided on a straight line basis over the estimated useful lives of the equipment at the following annual rates:

- Computer Equipment 15%
- Office and Field Equipment 10% or 30%
- Software 100%
- Vehicles 25%

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it's probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replacement part is derecognized. All other repairs and maintenance are charged to the consolidated statements of loss during the financial year in which they are incurred.

n) Employee benefits

Wages, salaries and annual vacation leave

Liabilities arising in respect of wages and salaries, vacation leave and any other employee benefits expected to be settled within twelve months of the financial position reporting date are measured at undiscounted amounts based on remuneration rates which are expected to be paid when the liabilities are settled. In respect of employees' services up to the financial position reporting date, wages and salaries are recognized in trade and other payables and other employee benefits including annual vacation leave are recognized in current provisions.

Employee and management bonus plans

A liability is recognized for the amount expected to be paid under the Company's bonus plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. Where the effect is material, the liabilities for bonus payments not expected to be settled within twelve months are discounted using a pre-tax risk-free rate, which most closely match the terms of maturity of the related liabilities.

Bonus liabilities expected to be settled within twelve months of the consolidated statement of financial position date are recognized in current provisions, and those that are not expected to settle within twelve months are recognized in non-current provisions.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

o) *Decommissioning liability*

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

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred by the development / construction of the mine. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognized in profit or loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognized immediately in profit or loss.

p) *Contingencies*

Contingent assets

Contingent assets are not recognized in the financial statements but they are disclosed by way of a note if they are deemed probable.

Contingent liabilities

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Company. Contingent liabilities are recognized in the financial statements unless the possibility of an outflow of economic resources is considered remote, in which case they are disclosed in the notes to the consolidated financial statements.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Adoption of new and amended accounting standards

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning before or on January 1, 2016.

The adoption of the following IFRS pronouncement will result in enhanced financial statement disclosures in the Company's annual consolidated financial statements. This pronouncement did not affect the Company's financial results nor did it result in adjustments to previously-reported figures.

- The IASB issued amendments to IAS 16 Property, Plant and Equipment, and IAS 38 Intangible Assets to address depreciation and amortization methods which are based on revenue. The amendment to IAS 16 prohibits the use of a revenue-based depreciation method as this reflects a pattern other than the consumption of economic benefits consumed through the use of the asset. The amendment to IAS 18 introduces a rebuttable presumption that a revenue based amortization method for intangible assets is inappropriate. This presumption can be overcome only if the intangible asset is expressed as a measure of revenue or it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

- Amendments to IFRS 11 Joint arrangements provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 Business Combinations and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2017. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company and are being evaluated to determine their impact:

- IFRS 15 - New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers, effective for annual periods beginning on or after January 1, 2017.

- IFRS 9 – New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

(Expressed in Canadian Dollars)

4. CASH AND CASH EQUIVALENTS

The Company's cash and cash equivalents are broken down as follows:

		December 31, 2016		December 31, 2015
Cash	**$**	**6,248,734**	$	4,371,100
Term deposits		**35,000**		35,000
	$	**6,283,734**	$	4,406,100

5. AMOUNTS RECEIVABLE

The Company's amounts receivable is broken down as follows:

		December 31, 2016		December 31, 2015
Harmonized sales tax receivable and value-added tax receivable	**$**	**170,396**	$	54,832
Other receivables		**25,478**		14,146
	$	**195,874**	$	68,978

6. LONG-TERM INVESTMENT

As at December 31, 2016

	Number of shares		Carrying value		Closing market price		Fair value
Portex Minerals Inc.	15,151,273	$	-	$	-	$	-
Precipitate Gold Corporation	300,000		64,500		0.215		64,500

As at December 31, 2015

	Number of shares		Carrying value		Closing market price		Fair value
Portex Minerals Inc.	15,151,273	$	-	$	0.005	$	75,756
Precipitate Gold Corporation	300,000		27,000		0.090		27,000

Portex Minerals Inc.

On April 30, 2012, the Company received 15,151,273 shares of Portex Minerals Inc. ("Portex") with a fair value of $909,076 in exchange for the sale of its wholly owned entities with business interests in Spain.

During the year ended December 31, 2015, the Company reduced the carrying value of the 15,151,273 shares of Portex to $nil as it determined the impairment was permanent given the financial conditions of Portex; as a result, a fair value loss on available-for-sale investments of $75,756 was recognized in the statement of loss and comprehensive.

(Expressed in Canadian Dollars)

6. LONG-TERM INVESTMENT (CONTINUED)

Precipitate Gold Corporation

On September 30, 2015, the Company reached a data sharing and collaboration agreement (the "Agreement") with Precipitate Gold Corporation ("Precipitate"). According to the Agreement, the Company and Precipitate will share all current and future Tireo belt exploration data in a collaborative effort to assist and accelerate the search for new gold discoveries in the Dominican Republic's Tireo volcanic belt. In exchange of the exploration data, Precipitate agreed to issue 300,000 common shares to the Company.

During the year ended December 31, 2015, the Company received 300,000 shares from Precipitate with a fair value of $24,000.

As at December 31, 2016, the Company recognized $64,500 as the fair value of the 300,000 common shares received from Precipitate (December 31, 2015 – $27,000). The change in fair value of $37,500 for the year ended December 31, 2016 is recognized as other comprehensive income (December 31, 2015 – $3,000).

7. EQUIPMENT

The Company's equipment is broken down as follows:

	Computer equipment	Field equipment	Office equipment	Software	Vehicles	Total
Cost						
As at December 31, 2015	$ 123,470	$ 172,110	$ 14,890	$ 117,930	$ 277,723	**$ 706,123**
Additions for the year	14,311	-	-	3,165	38,110	**55,586**
Balance as at December 31, 2016	**$ 137,781**	**$ 172,110**	**$ 14,890**	**$ 121,095**	**$ 315,833**	**$ 761,709**
Depreciation						
As at December 31, 2015	$ (54,244)	$ (163,850)	$ (12,681)	$ (117,930)	$ (255,779)	**$ (604,484)**
Charged for the year	(17,487)	(8,122)	(282)	(2,374)	(22,401)	**(50,666)**
Balance as at December 31, 2016	**$ (71,731)**	**$ (171,972)**	**$ (12,963)**	**$ (120,304)**	**$ (278,180)**	**$ (655,150)**
Net book value						
As at December 31, 2015	$ 69,226	$ 8,260	$ 2,209	$ -	$ 21,944	$ 101,639
As at December 31, 2016	**$ 66,050**	**$ 138**	**$ 1,927**	**$ 791**	**$ 37,653**	**$ 106,559**

(Expressed in Canadian Dollars)

7. EQUIPMENT (CONTINUED)

	Computer equipment	Field equipment	Office equipment	Software	Vehicles	Total
Cost						
As at December 31, 2014	$ 121,809	$ 172,110	$ 13,791	$ 117,930	$ 277,723	**$ 703,363**
Additions for the year	1,661	-	1,099	-	-	**2,760**
Balance as at December 31, 2015	**$ 123,470**	**$ 172,110**	**$ 14,890**	**$ 117,930**	**$ 277,723**	**$ 706,123**
Depreciation						
As at December 31, 2014	$ (37,971)	$ (148,506)	$ (12,057)	$ (115,642)	$ (223,992)	**$ (538,168)**
Charged for the year	(16,273)	(15,344)	(624)	(2,288)	(31,787)	**(66,316)**
Balance as at December 31, 2015	**$ (54,244)**	**$ (163,850)**	**$ (12,681)**	**$ (117,930)**	**$ (255,779)**	**$ (604,484)**
Net book value						
As at December 31, 2014	$ 83,838	$ 23,604	$ 1,734	$ 2,288	$ 53,731	$ 165,195
As at December 31, 2015	**$ 69,226**	**$ 8,260**	**$ 2,209**	**$ -**	**$ 21,944**	**$ 101,639**

During the year ended December 31, 2016, a total of $8,122 (December 31, 2015 – $15,344) was included in evaluation and exploration costs (Note 9).

8. EVALUATION AND EXPLORATION ASSETS

The Company's evaluation and exploration assets are broken down as follows:

	Balance as at December 31, 2015	Additions	Balance as at December 31, 2016
Dominican Republic	**$ 1,247,000**	$ -	**$ 1,247,000**

Dominican Republic – 100% owned

On August 5, 2009, the Company entered into a purchase agreement with Gold Fields Dominican Republic BVI Limited ("GFL") to regain full ownership of its gold-focused portfolio in the Dominican Republic. As consideration for GFL's interest in the joint venture projects, the Company issued 8,600,000 common shares and granted a 1.25% Net Smelter Royalty ("NSR") on the claims in favour of GFL.

The transaction was completed on November 18, 2009 with the issuance of the shares at a fair value of $1,247,000.

(Expressed in Canadian Dollars)

9. EVALUATION AND EXPLORATION COSTS

The Company's evaluation and exploration costs during the years ended December 31, 2016 and 2015 related to projects in the Dominican Republic are broken down as follows:

For the year ended December 31, 2016

	Tireo	General	Total
Access fees	$ 10,151	$ 6,851	**$ 17,002**
Depreciation	2,987	5,135	**8,122**
Drilling	473,082	-	**473,082**
Equipment rental	136	1,850	**1,986**
Field	455,421	56,116	**511,537**
Field technicians	511,259	13,324	**524,583**
Geological	385,373	16,597	**401,970**
Lodging and food	188,092	345	**188,437**
Salaries and wages	-	209,481	**209,481**
Sample analysis	321,449	-	**321,449**
Social responsibility	60,359	285	**60,644**
Technical studies	2,501,564	-	**2,501,564**
Transportation	4,797	551	**5,348**
	$ 4,914,670	**$ 310,535**	**$ 5,225,205**
		Cumulative costs, beginning of year	**24,995,763**
		Cumulative costs, end of year	**$ 30,220,968**

For the year ended December 31, 2015

	Tireo	General	Total
Access fees	$ 1,076	$ 6,006	**$ 7,082**
Depreciation	5,794	9,550	**15,344**
Drilling	940,660	-	**940,660**
Engineering	563	-	**563**
Equipment rental	37,604	1,070	**38,674**
Field	425,983	79,263	**505,246**
Field technicians	348,806	32,798	**381,604**
Geological	880,426	23,294	**903,720**
Lodging and food	98,676	21,271	**119,947**
Mapping	1	45	**46**
Recoveries	-	(24,000)	**(24,000)**
Salaries and wages	-	220,806	**220,806**
Sample analysis	124,011	265	**124,276**
Social responsibility	31,395	2,782	**34,177**
Transportation	2,391	173	**2,564**
	$ 2,897,386	**$ 373,323**	**$ 3,270,709**
		Cumulative costs, beginning of year	**21,725,054**
		Cumulative costs, end of year	**$ 24,995,763**

(Expressed in Canadian Dollars)

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company's accounts payable and accrued liabilities are broken down as follows:

		December 31, 2016		December 31, 2015
Trade payables	**$**	**329,778**	$	326,355
Accrued liabilities		**317,024**		113,992
	$	**646,802**	$	440,347

11. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

At December 31, 2016, the Company had 215,732,384 common shares (December 31, 2015 – 177,682,225) common shares issued and outstanding with a value of $49,308,286 (December 31, 2015 – $40,223,041).

During the year ended December 31, 2016:

- On April 1, 2016, the Company completed a private placement and issued 14,710,000 common shares at a price of $0.20 per share for gross proceeds of $2,942,000.

  In connection with the private placement, the Company incurred $168,671 in share issuance costs which included a finder's fee of $135,940.

- On June 9, 2016, the Company completed a private placement and issued 17,968,750 common shares at a price of $0.32 per share for gross proceeds of $5,750,000.

  In connection with the private placement, the Company issued 1,257,811 broker warrants. Each broker warrant will be exercisable into one common share of the Company with an expiry date of December 9, 2017. The broker warrants are exercisable at a purchase price of $0.36 per share. The Company estimated the fair value of broker's warrants using the Black-Scholes options pricing model, assuming a risk-free interest rate of 0.52%, an expected life of 18 months, an expected volatility of 89.05% and an expected dividend yield of 0%, which totaled $273,001, and recorded these values as share issuance costs.

  In connection with the private placement, the Company incurred $561,913 in share issuance costs which included a finder's fee of $402,500.

- 545,455 finder's unit purchase warrants, which were issued in connection with the privately placement completed on November 6, 2015, were exercised for proceeds of $60,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant of the Company. Each whole warrant is exercisable for an additional common share at an exercise price of $0.18 The warrants have an expiry date of November 6, 2018.

  In addition, the Company reclassified the grant date fair value of the exercised warrants of $33,230 from warrants reserve to share capital.

11. SHARE CAPITAL (continued)

b) Issued share capital (continued)

During the year ended December 31, 2016 (continued):

For accounting purposes, the Company estimated the grant date fair value of warrants issued with the exercise of finder's unit purchase warrants, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.52%, an expected life of 2.5 years, an expected volatility of 83.17% and an expected dividend yield of 0%, which totaled $21,584, and recorded this value in warrants reserve. The value attributed to the warrants was based on their relative fair value as compared to the fair value of the common shares. The remaining balance of $71,646 was recorded as common shares.

- 2,590,954 warrants were exercised for proceeds of $466,372. In addition, the Company reclassified the grant date fair value of the exercised warrants of $119,185 from warrants reserve to share capital.
- 2,235,000 options were exercised for proceeds of $446,498. In addition, the Company reclassified the grant date fair value of the exercised options of $293,129 from stock options reserve to share capital.

During the year ended December 31, 2015:

- On October 19, 2015, the Company completed a private placement comprised of 18,090,910 units of the Company (the "Units") at a price of $0.11 per Unit for an aggregate gross proceeds of $1,990,000. Each Unit consists of one common share of the Company and one-half of one Common Share purchase warrant of the Company. Each whole warrant is exercisable for an additional Common Share at an exercise price of $0.18 for a period of three years following the closing date of the issuance.

  For accounting purposes, the Company estimated the grant date fair value of warrants issued with the private placement, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.55%, an expected life of 3 years, an expected volatility of 94.71% and an expected dividend yield of 0%, which totaled $412,488, and recorded this value in warrants reserve. The value attributed to the warrants was based on their relative fair value as compared to the fair value of the common shares. The remaining balance of $1,577,512 was recorded as common shares.

- On November 6, 2015, the Company completed another private placement comprised of 13,636,271 units of the Company (the "Units") at a price of $0.11 per Unit for an aggregate gross proceeds of $1,499,990. Each Unit consists of one common share of the Company and one-half of one Common Share purchase warrant of the Company. Each whole warrant is exercisable for an additional Common Share at an exercise price of $0.18 for a period of three years following the closing date of the issuance.

  For accounting purposes, the Company estimated the grant date fair value of warrants issued with the private placement, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.67%, an expected life of 3 years, an expected volatility of 92.76% and an expected dividend yield of 0%, which totaled $313,639, and recorded this value in warrants reserve. The value attributed to the warrants was based on their relative fair value as compared to the fair value of the common shares. The remaining balance of $1,186,351 was recorded as common shares.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

b) Issued share capital (continued)

During the year ended December 31, 2015 (continued):

In connection with the private placement, the Company issued 545,455 Finder's Unit Purchase Warrants ("Unit Warrants"), with an expiry date of November 6, 2016. Each Unit Warrant entitles the holders to subscribe for one unit (each a "Unit"), each Unit being comprised of (a) one common share and (b) one-half of a common share purchase warrant ("Underlying Warrants"). The Unit Warrants are exercisable at a purchase price of $0.11 per Unit. The Underlying Warrants have an expiry date of November 6, 2018 and a purchase price of $0.18 per Warrant Share. The Company estimated the fair value of finder's warrants using the Black-Scholes options pricing model, assuming a risk-free interest rate of 0.67%, an expected life of 1 year, an expected volatility of 92% and an expected dividend yield of 0%, which totaled $33,230, and recorded these values as share issuance costs.

- In connection with the private placements completed during the year ended December 31, 2015, the Company incurred $126,798 in share issuance costs.
- 200,000 options were exercised for proceeds of $28,000. In addition, the Company reclassified the grant date fair value of the exercised options of $19,758 from stock options reserve to share capital.

c) Warrants

The changes in warrants during the years ended December 31, 2016 and 2015 are as follows:

	December 31, 2016		December 31, 2015	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Balance, beginning of year	**16,409,045**	**$ 0.18**	**-**	**$ -**
Issued	1,530,538	0.33	16,409,046	0.18
Exercised	(3,136,409)	0.17	-	-
Balance, end of year	**14,803,174**	**$ 0.20**	**16,409,046**	**$ 0.18**

The following summarizes information about warrants outstanding at December 31, 2016:

Grant date	Expiry date	Warrants outstanding	Exercise price	Estimated grant date fair value	Weighted average remaining contractual life (in years)
October 19, 2015	October 19, 2018	9,045,455	$ 0.180	$ 412,488	1.80
November 6, 2015	November 6, 2018	4,227,181	$ 0.180	$ 194,454	1.85
May 9, 2016	November 6, 2018	272,727	$ 0.180	$ 21,584	1.85
June 9, 2016	December 9, 2017	1,257,811	$ 0.360	$ 273,001	0.94
		14,803,174		**$ 901,527**	**1.74**

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

d) Stock options

Under the Company's stock option plan, the Board of Directors may grant options for the purchase of up to a total of 10% of the total number of issued and outstanding common shares of the Company. Options granted under the plan may vest over a period of time at the discretion of the board of directors. Under the plan, the exercise price of each option equals the market price of the Company's stock as determined on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the Board of Directors.

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value of the Company's common shares on the date of the grant. The changes in options during the years ended December 31, 2016 and 2015 are as follows:

	December 31, 2016			December 31, 2015		
	Number outstanding		Weighted average exercise price	Number outstanding		Weighted average exercise price
Balance, beginning of period	**16,107,666**	**$**	**0.34**	**12,856,163**	**$**	**0.40**
Granted	6,147,500		0.57	4,450,000		0.14
Expired	(1,201,667)		0.41	(876,164)		0.18
Forfeited	(38,333)		0.56	(122,333)		0.15
Exercised	(2,235,000)		0.20	(200,000)		0.14
Balance, end of period	**18,780,166**	**$**	**0.43**	**16,107,666**	**$**	**0.34**

During the year ended December 31, 2016:

- On June 1, 2016, the Company granted 200,000 options with an exercise price of $0.325 to ainvestor relation consultant. The options are exercisable for a period of five years. One-twelve vest one month from the date of grant and one-twelve will vest every one month thereafter.
- On August 12, 2016, the Company granted 5,347,500 options with an exercise price of $0.60 to certain officers, directors and employees. The options are exercisable for a period of five years. One-third vest six months from the date of grant and one-third will vest every six months thereafter.
- On October 13, 2016, the Company granted 600,000 options with an exercise price of $0.36 to the Company's VP, Corporate Development. The options are exercisable for a period of five years. One-third vest six months from the date of grant and one-third will vest every six months thereafter.
- 1,201,667 options expired unexercised.

During the year ended December 31, 2015:

- On January 20, 2015, the Company granted 1,650,000 options with an exercise price of $0.15 to certain officers, directors and employees. The options are exercisable for a period of five years. One-third vest six months from the date of grant and one-third will vest every six months thereafter.
- On January 20, 2015, the Company granted 50,000 options with an exercise price of $0.15 to an employee. The options are exercisable for a period of five years. A quarter vest three months from the date of grant and a quarter will vest every three months thereafter.
- On December 14, 2015, the Company granted 2,750,000 options with an exercise price of $0.13 to certain officers, directors and employees. The options are exercisable for a period of five years. One-third vest six months from the date of grant and one-third will vest every six months thereafter.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

d) Stock options (continued)

The following summarizes information about stock options outstanding and exercisable at December 31, 2016:

Grant date	Expiry date	Options outstanding	Options exercisable	Exercise price	Estimated grant date fair value	Weighted average remaining contractual life (in years)
May 31, 2012	May 31, 2017	2,623,332	2,623,332	$ 0.560	$ 1,594,036	0.41
June 1, 2012	June 1, 2017	73,334	73,334	$ 0.680	$ 48,225	0.42
September 11, 2012	September 4, 2017	250,000	250,000	$ 1.560	$ 376,726	0.68
March 8, 2013	March 8, 2018	2,445,000	2,445,000	$ 0.500	$ 874,293	1.18
May 22, 2013	May 22, 2018	500,000	500,000	$ 0.350	$ 131,412	1.39
December 19, 2013	December 19, 2018	2,357,000	2,357,000	$ 0.250	$ 490,173	1.97
May 14, 2014	May 14, 2019	150,000	150,000	$ 0.310	$ 39,928	2.37
January 20, 2015	January 20, 2020	1,524,000	1,524,000	$ 0.150	$ 168,292	3.05
December 14, 2015	December 14, 2020	2,745,000	1,830,005	$ 0.130	$ 305,611	3.96
June 1, 2016	June 1, 2021	200,000	116,669	$ 0.325	$ 58,711	4.42
August 12, 2016	August 12, 2021	5,312,500	-	$ 0.600	$ 2,741,961	4.62
October 13, 2016	October 13, 2021	600,000	-	$ 0.360	$ 218,833	4.79
		18,780,166	**11,869,340**		**$ 7,048,201**	**2.86**

The estimated grant date fair value of the options granted during the years ended December 31, 2016 and 2015 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Number of options granted	**6,147,500**	4,450,000
Risk-free interest rate	**0.57%**	0.78%
Expected annual volatility	**131%**	130%
Expected life	**5.00**	5.00
Expected dividend yield	**0.00%**	0.00%
Grant date fair value per option	**$ 0.49**	$ 0.11
Share price at grant date	**$ 0.57**	$ 0.13

During the years ended December 31, 2016 and 2015, the Company recognized share-based payments expense of $1,662,776 and $228,275, respectively. For the years ended December 31, 2016 and 2015, share-based payments expense consists of the following:

	For the year ended December 31, 2016	For the year ended December 31, 2015
For services in respect of:		
Directors' fees	**$ 466,384**	$ 65,983
Investor relations	**51,503**	-
Management fees	**1,003,208**	129,942
Salaries and wages	**141,681**	32,350
	$ 1,662,776	$ 228,275

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

e) Earnings (loss) per share

The Company calculated the basic earnings (loss) per share by using the weighted-average number of shares outstanding during the period. The diluted earnings per share reflects the potential dilution of common share equivalents, such as outstanding stock options and warrants, in the weighted average number of common shares outstanding during the period. In determining the weighted average number of common shares outstanding during the period for the diluted loss per share, warrants and options are not included as the impact would be anti-dilutive.

12. RELATED PARTY TRANSACTIONS AND BALANCES

The financial statements include the accounts of GoldQuest Mining Corp. and its subsidiaries listed in the following table:

		Equity Onwership as at	
Name	**Country of Incorporation**	**December 31, 2016**	**December 31, 2015**
GoldQuest Mining (BVI) Corp	British Virgin Islands	100%	100%
Goldquest Dominicana SRL	Dominican Republic	100%	100%

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

a) Related party transactions

The Company's related parties as defined by IAS 24, *Related Party Disclosures*, include the Company's subsidiaries (above), and the following directors, executive officers, key management personnel, and enterprises which are controlled by these individuals:

Related Party	Relationship
William Fisher	Executive Chairman
Frank Balint	Director
Patrick Michaels	Director
Florian Siegfried	Director
Julio Espaillat	Director, President and CEO
Paul Robertson	CFO
Quantum Advisory Partners LLP	A partnership in which the CFO is a partner
Jeremy Niemi	Vice President, Exploration
David Massola	Vice President, Corporate Development
Felix Mercedes	Country Manager, Dominican Republic

The Company considered the executive officers and directors as the key management of the Company.

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

a) Related party transactions (continued)

Total compensation of key company personnel for the years ended December 31, 2016 and 2015 is as follows:

	For the year ended	
	December 31, 2016	**December 31, 2015**
Directors' fees	**$ 84,000**	$ 84,000
Management remuneration	**636,910**	538,000
Salaries and wages	**110,100**	105,361
Evaluation and exploration costs	**192,800**	170,000
Share-based compensation	**1,469,592**	195,925
	$ 2,493,402	$ 1,093,286

During the year ended December 31, 2016, the Company paid professional fees of $160,214 (December 31, 2015 – $57,106), of which $15,250 (December 31, 2015 – $nil) was classified as share issue costs, to Quantum Advisory Partners LLP, a partnership in which the CFO is an incorporated partner, for professional services including accounting, corporate secretarial, transaction support and tax compliance.

b) Related party balances

The balances due to the Company's directors and officer included in accounts payables and accrued liabilities were $214,498 as at December 31, 2016 (December 31, 2015 – $25,629), which were paid subsequent to December 31, 2016. These amounts are unsecured, non-interest bearing and payable on demand.

13. COMMITMENTS

Commitments

The Company is a party to certain management contracts. These contracts contain clauses requiring that approximately $2.3 million be paid to certain management personnel upon a change of control of the Company. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these consolidated financial statements.

(Expressed in Canadian Dollars)

14. SEGMENTED INFORMATION

The Company has one reportable segment, being the evaluation and exploration of mineral exploration properties. The Company's assets and liabilities are as follows:

	Canada	Dominican Republic	Total
As at December 31, 2016			
Evaluation and exploration assets	$ -	$ 1,247,000	**$ 1,247,000**
Long-term investment	64,500	-	**64,500**
Equipment	64,350	42,209	**106,559**
	$ 128,850	**$ 1,289,209**	**$ 1,418,059**
As at December 31, 2015			
Evaluation and exploration assets	$ -	$ 1,247,000	**$ 1,247,000**
Long-term investment	27,000	-	**27,000**
Equipment	71,007	30,632	**101,639**
	$ 98,007	**$ 1,277,632**	**$ 1,375,639**

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the evaluation and exploration of its mineral exploration properties and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of share capital.

There were no changes to the Company policy for capital management during the year ended December 31, 2016.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and short-term investments. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company and its subsidiaries are not subject to any externally imposed capital requirements.

The Company's investment policy is to invest its excess cash in very low risk financial instruments such as term deposits or by holding funds in high yield savings accounts with major Canadian banks. By using this strategy the Company preserves its cash resources and is able to marginally increase these resources through the yields on these investments. The Company's financial instruments are exposed to certain financial risks, which include currency risk, credit risk, liquidity risk and interest rate risk.

The Company expects that its current capital resources will be sufficient to fund its present operational commitments and working capital needs for the coming twelve months.

(Expressed in Canadian Dollars)

16. FINANCIAL INSTRUMENTS

a) Fair value

The carrying values of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of those financial instruments. Long-term investment is determined by the closing market price of the securities held by the Company.

As at December 31, 2016

	Loans and receivables and other liabilities	Assets at fair value through profit or loss	Availabe-for-sale assets	Total
Cash and cash equivalents	$ -	$ 6,283,734	$ -	$ 6,283,734
Amounts receivable	25,478	-	-	25,478
Long-term investment	-	-	64,500	64,500
Accounts payable and accrued liabilities	646,802	-	-	646,802

As at December 31, 2015

	Loans and receivables and other liabilities	Assets at fair value through profit or loss	Availabe-for-sale assets	Total
Cash and cash equivalents	$ -	$ 4,406,100	$ -	$ 4,406,100
Amounts receivable	14,146	-	-	14,146
Long-term investment	-	-	27,000	27,000
Accounts payable and accrued liabilities	440,347	-	-	440,347

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Inputs that are not based on observable market data.

As at December 31, 2016 and 2015, the financial instrument recorded at fair value on the consolidated statement of financial position is long term investment which is measured using Level 1 of the fair value hierarchy.

16. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management

Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company manages its credit risk through its counterparty ratings and credit limits.

The Company's cash and cash equivalents are held through large Canadian financial institutions. Guaranteed investment certificates are composed of financial instruments issued by Canadian banks and companies with high investment-grade ratings. These instruments mature at various dates over the current operating period and are cashable on the maturity date.

The total cash and cash equivalents, and amounts receivable represent the maximum credit exposure. The Company limits its credit risk exposure by holding cash and cash equivalents with reputable financial institutions with high credit ratings. The Company's amounts receivable balance is not significant and does not represent significant credit exposure as it is principally due from the Government of Canada.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

The Company's expected source of cash flow in the upcoming year will be through equity financings.

The Company maintained sufficient cash and cash equivalents at December 31, 2016 in the amount of $6,283,734 (December 31, 2015 – $4,406,100), in order to meet short-term business requirements. At December 31, 2016, the Company had accounts payable and accrued liabilities of $646,802 (December 31, 2015 – $440,347). All accounts payable and accrued liabilities are current.

Market risk

The significant market risks to which the Company is exposed are interest rate risk, currency risk and commodity price risk.

Interest rate risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash and cash equivalents are held mainly in high yield saving accounts and term deposits and therefore there is currently minimal interest rate risk. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2016.

The Company's interest rate risk principally arises from the interest rate impact of interest earned on cash and cash equivalents. A 1% change in interest rates on cash and cash equivalents outstanding at December 31, 2016 would result in a $62,837 change to the Company's net loss for the year ended December 31, 2016 (December 31, 2015 – $44,061).

Currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company's cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and long-term investment are held in Canadian Dollars ("CAD"), US Dollars ("USD") and Dominican Pesos ("DOP"); therefore, USD and DOP accounts are subject to fluctuation against the Canadian dollar.

(Expressed in Canadian Dollars)

16. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management (continued)

Currency risk (continued)

The Company had the following balances in foreign currency as at December 31, 2016:

	in CAD	in USD	in DOP
Cash and cash equivalents	5,049,244	776,146	6,767,404
Amounts receivable	55	3,510	731,361
Long-term investment	64,500	-	-
Accounts payable and accrued liabilities	(546,317)	(7,569)	(3,189,878)
	4,567,482	**772,087**	**4,308,887**
Rate to convert to $1.00 CAD	1.000	0.7442	35.3195
Equivalent to Canadian dollars	**4,567,482**	**1,037,430**	**121,997**

Based on the above net exposures as at December 31, 2016, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD and DOP would have had the following impact:

	Additional foreign exchange gain (loss) (before tax) (in CAD)		
	USD	**DOP**	**Total**
For the year ended December 31, 2016			
If CAD appreciated by 10%	**$ 103,743**	**$ 12,200**	**$ 115,943**
If CAD depreciated by 10%	**(103,743)**	**(12,200)**	**(115,943)**

The Company had the following balances in foreign currency as at December 31, 2015:

	in CAD	in USD	in DOP
Cash and cash equivalents	2,998,155	1,004,968	470,296
Amounts receivable	59	-	468,021
Long-term investment	27,000	-	-
Accounts payable and accrued liabilities	(350,031)	(9,949)	(2,542,142)
	2,675,183	**995,019**	**(1,603,825)**
Rate to convert to $1.00 CAD	1.000	0.7210	33.2226
Equivalent to Canadian dollars	**2,675,183**	**1,379,992**	**(48,276)**

(Expressed in Canadian Dollars)

16. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management (continued)

Currency risk (continued)

Based on the above net exposures as at December 31, 2015, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD and DOP would have had the following impact:

	Additional foreign exchange gain (loss) (before tax) (in CAD)		
	USD	DOP	Total
For the year ended December 31, 2015			
If CAD appreciated by 10%	$ 137,999	$ (4,828)	$ 133,171
If CAD depreciated by 10%	(137,999)	4,828	(133,171)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk, financial market risk, or currency risk.

As at December 31, 2016, the Company held 15,151,273 (December 31, 2015 – 15,151,273) and 300,000 (December 31, 2015 – 300,000) common shares of Portex and Precipitate, respectively, which are publicly traded on the Canadian National Stock Exchange and TSX Venture Exchange, respectively.

During the year ended December 31, 2015, the Company impaired the carrying value of the 15,151,273 shares of Portex to $nil; as a result of the impairment, the Company believe price risk from the investment in Portex is minimal.

A 10% change in share price of Precipitate's shares at December 31, 2016 would result in a $6,450 change to the Company's comprehensive loss for the year ended December 31, 2015 (December 31, 2014 – $2,700).

Other than this, the Company is not exposed to significant other price risk.

Commodity risk

The Company is exposed to price risk with respect to commodity prices, specifically gold. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for these commodities, the level of interest rates, the rate of inflation, investment decision by large holders of commodities including governmental reserves and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. As the Company does not have production assets, management believes this risk is minimal.

(Expressed in Canadian Dollars)

17. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2016		2015
Earnings (loss) for the year	$	(8,898,611)	$	(4,945,916)
Expected income tax (recovery)	$	(2,314,000)	$	(1,286,000)
Change in statutory, foreign tax, foreign exchange rates and other		(21,000)		(103,000)
Permanent Difference		1,400,000		487,000
Share issuance costs		(190,000)		(33,000)
Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses		187,000		454,000
Change in unrecognized deductible temporary differences		938,000		481,000
Total income tax expense (recovery)	**$**	**-**	**$**	**-**

The Canadian income tax rate declined/increased during the year due to changes in the law that reduced/increased corporate income tax rates in Canada/British Columbia.

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

		2016		2015
Deferred Tax Assets (liabilities)				
Exploration and evaluation assets	$	654,000	$	721,000
Property and equipment		51,000		48,000
Share issue costs		172,000		108,000
Marketable securities		110,000		115,000
Non-capital losses available for future period		5,979,000		5,036,000
		6,966,000		6,028,000
Unrecognized deferred tax assets		(6,966,000)		(6,028,000)
Net deferred tax assets	**$**	**-**	**$**	**-**

(Expressed in Canadian Dollars)

17. INCOME TAXES (continued)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

		2016	Expiry Date Range		2015	Expiry Date Range
Temporary Differences						
Exploration and evaluation assets	$	2,514,000	No expiry date	$	2,771,000	No expiry date
Property and equipment		238,000	No expiry date		217,000	No expiry date
Share issue costs		661,000	2035 to 2039		417,000	2035 to 2038
Marketable securities		845,000	No expiry date		882,000	No expiry date
Non-capital losses available for future period		22,556,000	2016 to 2036		19,031,000	2016 to 2035
Canada		12,216,000	2016 to 2036		11,002,000	2016 to 2035
Dominican Republic		10,340,000	2017 to 2021		8,029,000	2017 to 2020

Tax attributes are subject to review, and potential adjustment, by tax authorities.

18. SUBSEQUENT EVENTS

Subsequent to December 31, 2016:

- On March 8, 2017, the Company completed a non-brokered private placement ("Private Placement") of 38,100,000 common shares of the Company with Agnico Eagle Mines Limited ("Agnico") for total proceeds of $22,860,000. After the completion of the Private Placement, Agnico owns approximately 15% of the issued and outstanding common shares of the Company.

  In connection with the Private Placement, Agnico and the Company entered into an investor rights agreement ("Investor Rights Agreement") which grants Agnico the right to maintain its interest in the Company through participation in future equity financings of the Company and to, at its election, nominate one person to the Company's Board of Directors (and in the case of an increase in the size of the Board of Directors to 10 or more directors, two persons). These rights may only be exercised by Agnico if it owns at least a 10% interest in the Company (calculated in accordance with the Investor Rights Agreement). Agnico has not elected to exercise its director nomination right at this time. Additionally, the Investor Rights Agreement prohibits Agnico from taking certain actions, including acquiring more than 19.99% of the issued and outstanding common shares of the Company for a period of two years, subject to certain exceptions.

- On April 10, 2017, the Company granted 6,158,666 options with an exercise price of $0.50 to certain officers, directors and employees. The options are exercisable for a period of five years. One-third vest six months from the date of grant and one-third will vest every six months thereafter.

- On April 18, 2017, the Company granted 230,000 options with an exercise price of $0.50 to certain officers and employees. The options are exercisable for a period of five years. One-third vest six months from the date of grant and one-third will vest every six months thereafter.

- 25,000 options were exercised for proceeds of $4,500.