KAROO EXPLORATION CORP.

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Karoo Exploration Corp.

We have audited the accompanying consolidated financial statements of Karoo Exploration Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of income (loss) and comprehensive income (loss), cash flows, and changes in shareholders' deficiency 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 Karoo Exploration 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Karoo Exploration Corp.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

March 24, 2017

KAROO EXPLORATION CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31
(Expressed in Canadian Dollars)

	2016	2015
ASSETS		
Current		
Cash	$ 1,118	$ 7,460
Receivables	1,749	815
	$ 2,867	$ 8,275
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 145,771	$ 69,181
Due to related parties (Note 7)	153,396	99,743
	299,167	168,924
SHAREHOLDERS' DEFICIENCY		
Capital stock (Note 6)	1,669,178	1,669,178
Reserves	10,067	10,067
Deficit	(1,987,556)	(1,849,358)
Accumulated other comprehensive income	12,011	9,464
	(296,300)	(160,649)
	$ 2,867	$ 8,275

Nature of operations (Note 1)
Going concern (Note 2)
Subsequent event (Note 13)

Approved on behalf of the Board of Directors on March 24, 2017:

Jim Walchuck Director *Neil MacRae* Director

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

KAROO EXPLORATION CORP.
CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31
(Expressed in Canadian Dollars)

	2016	2015
EXPENSES		
Consulting fees (Note 7)	$ 36,000	$ 24,828
General and administrative	9,905	29,285
Professional fees	41,189	19,471
	(87,094)	(73,584)
Recovery of exploration evaluation costs (Note 5)	-	50,000
Foreign exchange gain (loss)	(2,547)	15,427
Gain (loss) on settlement of accounts payable	(46,394)	52,706
Write-off of receivables	-	(3,127)
Finance expense	(2,163)	(2,191)
Income (loss) for the year	(138,198)	39,231
Translation adjustment	2,547	(15,427)
Comprehensive income (loss) for the year	$ (135,651)	$ 23,804
Basic and diluted income (loss) per common share	$ (0.01)	$ 0.00
Weighted average number of common shares outstanding – basic and diluted	20,725,313	20,725,313

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

KAROO EXPLORATION CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(Expressed in Canadian Dollars)

	2016	2015
CASH FLOWS USED IN OPERATING ACTIVITIES		
Income (loss) for the year	$ (138,198)	$ 39,231
Items not affecting cash:		
Recovery of exploration and evaluation assets (Note 5)	-	(50,000)
Write-off of receivables	-	3,127
Loss (gain) on settlement of accounts payable	46,394	(52,706)
Unrealized foreign exchange	2,547	(15,427)
Changes in non-cash working capital items:		
Receivables	(934)	(848)
Prepaid expenses	-	4,350
Accounts payable and accrued liabilities	30,196	8,835
Due to related parties	53,653	9,201
Net cash used in operating activities	(6,342)	(54,237)
CASH FLOWS FROM INVESTING ACTIVITES		
Sale of marketable securities	-	50,000
Net cash provided by investing activities	-	50,000
Decrease in cash during the year	(6,342)	(4,237)
Cash, beginning of year	7,460	11,697
Cash, end of year	$ 1,118	$ 7,460
Cash paid during the year for:		
Interest	$ -	$ 540

Supplemental disclosures with respect to cash flows (Note 8)

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

KAROO EXPLORATION CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
(Expressed in Canadian Dollars)

	Capital Stock										
	Number		Amount		Reserves		Deficit		Accumulated other comprehensive income (loss)		Total
Balance December 31, 2014	**20,725,313**	**$**	**1,669,178**	**$**	**10,067**	**$**	**(1,888,589)**	**$**	**24,891**	**$**	**(184,453)**
Income for the year	-		-		-		39,231		-		39,231
Translation adjustment									(15,427)		(15,427)
Balance December 31, 2015	**20,725,313**	**$**	**1,669,178**	**$**	**10,067**	**$**	**(1,849,358)**	**$**	**9,464**	**$**	**(160,649)**
Loss for the year	-		-		-		(138,198)		-		(138,198)
Translation adjustment	-		-		-		-		2,547		2,547
Balance December 31, 2016	**20,725,313**	**$**	**1,669,178**	**$**	**10,067**	**$**	**(1,987,556)**	**$**	**12,011**	**$**	**(296,300)**

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

1. NATURE OF OPERATIONS

Karoo Exploration Corp. (the "Company" or "Karoo") is a corporation continued under the laws of British Columbia and extra provincially registered in Alberta. The Company is in the process of earning into a mineral property interest in Tanzania. The Company's head office is located at Suite 880 - 580 Hornby Street, Vancouver, BC V6C 3B6. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "KE".

The Company was created on August 15, 2013, pursuant to the Business Corporations Act (British Columbia). These consolidated financial statements include the accounts of the Company and its 100% owned subsidiary U3o8 Exploration Limited and 095406 BC Ltd.

2. GOING CONCERN

These consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going-concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the consolidated financial statements. The ability of the Company to continue as a going concern is dependent on its ability to obtain additional equity financing and achieve future profitable operations.

As at December 31, 2016, the Company had a working capital deficiency of $296,300 (December 31, 2015 – working capital deficiency of $160,649).

The current market conditions and volatility increases the uncertainty of the Company's ability to continue as a going concern. The Company is experiencing negative cash flows from operations, and has an accumulated deficit. The Company will continue to search for new or alternate sources of financing in order to continue its operations. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the Company's statements of financial position.

3. BASIS OF PRESENTATION

Statement of compliance

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

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of December 31, 2016.

The consolidated financial statements were authorized for issue by the Board of Directors on March 24, 2017.

Basis of measurement

The financial statements are presented in Canadian dollars unless otherwise stated.

These consolidated financial statements include the financial statements of the Company, and its wholly owned subsidiaries 0954046 BC Ltd. ("PrivCo") (incorporated in Canada) and U3o8 Exploration Ltd. ("U3o8") (incorporated in Tanzania). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany transactions and balances have been eliminated.

Critical accounting judgments

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the year. Actual results could differ from these estimates.

Critical judgments in applying accounting policies

The preparation of these consolidated financial statements requires management to make judgments regarding the going concern of the Company, as discussed in Note 2, as well as the determination of functional currency. The functional currency is the currency of the primary economic environment in which an entity operates, and has been determined for each entity within the Company. The functional currency for the Company and PrivCo has been determined to be the Canadian dollar, while the functional currency of U3o8 has been determined to be the United States dollar.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with IFRS and reflect the following significant accounting policies:

Financial instruments

All financial instruments are classified into one of five categories: fair-value-through-profit-and-loss, held-to-maturity, loans and receivables, available-for-sale or other financial liabilities. All financial instruments and derivatives are recognized in the consolidated statement of financial position at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are recognized at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Fair-value-through-profit-and-loss financial assets are measured at fair value and changes in fair value are recognized in profit or loss. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income (loss) until the instrument is sold or impaired.

The Company has classified its cash as fair-value-through-profit-and-loss. Receivables are classified as loans and receivables. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities, all of which are measured or recognized at amortized cost. The Company has no derivatives or embedded derivatives at the date of these consolidated financial statements.

The Company also provides the required disclosure about the inputs used in making fair value measurements, including their classification within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data

See Note 10 (Financial Instruments) for relevant disclosures.

Exploration and evaluation assets

Pre-exploration costs are expensed as incurred. Once the legal right to explore a property has been acquired, costs related to the acquisition, exploration and evaluation of the property are capitalized as incurred until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and evaluation costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd …)

Exploration and evaluation assets (cont'd...)

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation asset, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Income (loss) per share

Basic income (loss) per share is computed by dividing the income (loss) for the year by the weighted average number of common shares outstanding during the year.

For diluted income (loss) per share computations, assumptions are made regarding potential common shares outstanding during the year. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if, at the beginning of the year, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's common shares at their average market price during the year, thereby reducing the weighted average number of common shares outstanding. If these computations prove to be anti-dilutive, diluted income (loss) per share is the same as basic income (loss) per share.

Income taxes

Income tax on profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax paid or payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax paid or payable in respect of previous years.

Deferred tax is recorded by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the year that includes the date of the enactment or substantive enactment of the change. Deferred tax assets and liabilities are presented separately except where there is a right of set-off within fiscal jurisdictions.

Foreign currency translation

The Company and PrivCo's functional and reporting currency is the Canadian dollar. The functional currency of the Company's subsidiary, U3o8, is the United States dollar.

Accordingly, the accounts of U3o8 are translated into Canadian dollars as follows:

- all of the assets and liabilities are translated at the rate of exchange in effect on the date of the statement of financial position;
- revenue and expenses are translated at the exchange rate approximating those in effect on the date of the transactions; and
- exchange gains and losses arising from translation are included in accumulated other comprehensive income (loss).

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd …)

Foreign currency translation (cont'd…)

Transactions in currencies other than the entities functional currency are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities that are denominated in foreign currencies are translated into the functional currency at the rate of exchange at the date of the statement of financial position while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the profit or loss.

Comprehensive income (loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in equity which results from transactions and events from sources other than the Company's shareholders. The Company's translation of its subsidiary into Canadian dollars is the only item affecting comprehensive income (loss) for the years presented.

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 future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

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

- 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 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.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

5. EXPLORATION AND EVALUATION ASSETS

Ownership in mineral interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, such ownership interests are in good standing.

A. Kalulu

On August 9, 2012, (amended March 13, 2017) the Company entered into a property option agreement (the "Agreement") with Tanzania Minerals Corp. ("Tanzania Minerals"), with which the Company shares common directors and officers. Under the terms of the Agreement, the Company has the option to earn an undivided 100% interest in certain mineral property claims in the Kalulu region of Tanzania. Upon having exercised the option, the Company would grant a 2% NSR (net smelter royalty) to Tanzania Minerals, one half of which can be repurchased by Karoo for $2,000,000, and the other half can be repurchased by Karoo for $5,000,000.

In order to exercise the option with Tanzania Minerals:

a) the Company must make the following share payments:

- Issue an additional 500,000 common shares of the Company, on or before August 9, 2017;
- Issue an additional 500,000 common shares of the Company, on or before August 9, 2018; and

b) the Company must incur expenditures of not less than $600,000 as follows:

- an additional $250,000 on or before August 9, 2017;
- an additional $350,000 on or before August 9, 2018.

During the year ended December 31, 2014, the Company wrote-off all capitalized costs of $372,550 related to the Kalulu property.

B. Pine Lake

The Company held a 50% interest in mineral claims in the Northern Mining District, Saskatchewan. The other 50% interest is held by Claude Resources Inc. ("Claude"). During the year ended December 31, 2014 the Company decided not to pursue these claims and wrote off $50,208 in associated costs to operations. During the year ended December 31, 2015, the Company sold its 50% interest in the Pine Lake mineral claims to Claude for 73,529 common shares of Claude valued at $50,000.

(Expressed in Canadian Dollars)

6. CAPITAL STOCK

As at December 31, 2016, Nil (December 31, 2015 – 719,675) common shares are held in escrow.

The authorized capital stock of the Company is unlimited common shares without par value. During the year ended December 31, 2016 and 2015, the Company had no capital stock transactions.

Stock options

As at December 31, 2016 and December 31, 2015 the Company had no stock option plan and no stock options outstanding.

Warrants

The following is a summary of warrants outstanding as at December 31, 2016 and December 31, 2015.

	2016		2015	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of the year	-	$ -	2,334,620	$ 0.15
Expired	-	$ -	(2,334,620)	$ 0.15
Balance, end of the year	-	$ -	-	$ -

(Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS

Related parties and related party transactions impacting the accompanying financial statements are summarized below and include transactions with the following individuals or entities:

Key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	For the year ended December 31, 2016	For the year ended December 31, 2015
Short-term benefits*	$ 36,000	$ 24,500
	$ 36,000	$ 24,500

*included in consulting fees

Other related parties

Other related parties include Tanzania Minerals Corp. which shares two directors.

a) As at December 31, 2016, a note payable of $86,520 (December 31, 2015 - $86,520) was included in due to related parties was owed to Tanzania Minerals Corp. and is due on June 25, 2017. Interest, at an annual rate of 2.5%, is payable on the outstanding balance on a quarterly basis. Interest payable as at December 31, 2016 of $4,326 (December 31, 2015 - $2,163) has been accrued.

b) As at December 31, 2016, due to related parties included $40,050 (December 31, 2015 - $11,060) which is due to the Chief Financial Officer of the Company. The amount is non-interest bearing with no fixed terms of repayment.

c) As at December 31, 2016, due to related parties included $22,500 (December 31, 2015 - $Nil) which is due to a company with a common director. The amount is non-interest bearing with no fixed terms of repayment.

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

There were no non-cash transactions during the year ended December 31, 2016 or the year ended December 31, 2015.

9. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition of its exploration and evaluation asset. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the Company.

In the management of capital, the Company considers components of shareholders' equity.

The Company relies on the equity markets and related party advances to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements.

There were no changes to management's approach to capital management during the year ended December 31, 2016.

10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, and due to related parties. The fair value of the Company's receivables, accounts payable and accrued liabilities, and due to related parties approximates their carrying value, which is the amount on the consolidated statement of financial position due to their short-terms or ability of prompt liquidation. The Company's other financial instrument, cash, under the fair value hierarchy is measured at fair value, based on level one quoted prices in active markets for identical assets or liabilities.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk as its cash is held at a large Canadian bank.

The Company's receivables consist mainly of input tax credits receivable from the Government of Canada, and as a result the Company does not believe it is subject to significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2016, the Company had cash of $1,118 to settle current liabilities of $299,167. The Company will have to raise additional funds in order to meet its obligations as they become due.

10. FINANCIAL INSTRUMENTS (cont'd…)

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company has cash balances and interest bearing debt. The interest earned on cash is insignificant, and the interest bearing debt is fixed at 2.5%. The Company is not subject to significant interest rate risk.

b) Currency risk

The Company's operations are currently in Canada and Tanzania. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currency.

The operating results and the financial position of the Company are reported in Canadian dollars. Any fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reported results of the Company and may also affect the value of the Company's assets and liabilities.

The Company has negligible foreign currency exposure as at December 31, 2016.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and copper, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

11. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition, exploration, and evaluation of resource properties located in Tanzania.

(Expressed in Canadian Dollars)

12. INCOME TAXES

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

		2016		2015
Net loss	$	(138,198)	$	39,231
Expected income tax expense (recovery) at statutory tax rates	$	(36,000)	$	10,000
Impact of statutory and foreign tax rates, and other		(12,000)		5,000
Expiry of non-capital losses		7,000		-
Change in unrecognized deductible temporary differences and other		41,000		(15,000)
Total deferred tax expense (recovery)	$	-	$	-

The significant components of the Company's deferred tax assets and liabilities are as follows:

Deferred Tax Assets (Liabilities)		**2016**		**2015**
Share issue costs	$	-	$	3,000
Non-Capital losses		623,000		579,000
Exploration and evaluation assets		712,000		712,000
		1,335,000		1,294,000
Unrecognized deferred tax assets		(1,335,000)		(1,294,000)
Net deferred tax assets	$	-	$	-

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the statement of financial position are as follows:

	2016	**Expiry dates**	**2015**	**Expiry dates**
Exploration and evaluation assets	$2,718,000	No expiry date	$2,718,000	No expiry date
Investment tax credit	7,000	2032	7,000	2032
Share issue costs	-	N/A	12,000	2035 to 2036
Non-Capital losses with expiry	2,397,000	2017 to 2036	2,227,000	2016 to 2035

13. SUBSEQUENT EVENT

On February 28, 2017, the Company announced a proposed common share consolidation at the ratio of up to thirteen and one half pre-consolidation shares to one post-consolidation share.