PNG Gold Corporation

Consolidated Financial Statements
For the Year Ended December 31, 2016
(Expressed in Canadian dollars)

For the Year Ended December 31, 2016 **Page**

Management's Report

The accompanying consolidated financial statements of PNG Gold Corporation (the "Company") are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as outlined in Part 1 of the Chartered Professional Accountants of Canada Handbook - Accounting, and include some amounts that are based on management's estimates and judgment.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee. The Audit Committee reviews the Company's annual consolidated financial statements and recommends its approval to the Board of Directors. The Company's auditors have full access to the Audit Committee, with and without management being present. These consolidated financial statements have been audited by Ernst & Young LLP, Chartered Professional Accountants.

(Signed) Greg Clarkes	(Signed) Rick Low
Chief Executive Officer	Chief Financial Officer

Vancouver, British Columbia, Canada

April 26, 2017

Independent auditors' report

To the Shareholders of
PNG Gold Corporation

We have audited the accompanying consolidated financial statements of **PNG Gold Corporation**, 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 (deficit) 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 auditors consider 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, the consolidated financial statements present fairly, in all material respects, the financial position of **PNG Gold Corporation** 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.

Ernst & Young LLP

Chartered Professional Accountants

Vancouver, Canada
April 26, 2017

PNG Gold Corporation
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	December 31, 2016	December 31, 2015
	$	$
ASSETS		
Current		
Cash and cash equivalents	442,663	832,747
Accounts receivable	28,040	12,165
Prepaid expenses	78,033	69,194
	548,736	914,106
Property and equipment (note 4)	8,328	532,302
Mineral interests (note 5)	-	216,819
Investments (note 6)	30,621	22,966
Total assets	**587,685**	**1,686,193**
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (note 7)	760,024	249,102
Accrued tax provision	872,833	829,452
	1,632,857	1,078,554
Shareholders' (Deficit) Equity		
Share capital (note 8)	64,041,965	63,540,233
Contributed surplus	7,374,187	7,374,187
Accumulated deficit	(72,139,561)	(69,986,586)
Accumulated other comprehensive income (loss)		
Cumulative translation adjustments	(352,384)	(343,161)
Unrealized gain on available-for-sale investments	30,621	22,966
Total shareholders' (deficit) equity	(1,045,172)	607,639
Total liabilities and shareholders' (deficit) equity	**587,685**	**1,686,193**

Nature of operations (note 1)
Commitments (note 12)
Subsequent events (note 16)

Approved on behalf of the Board of Directors:

"Greg Clarkes"	***"Larry Van Hatten"***
Greg Clarkes, Director	Larry Van Hatten, Director

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

PNG Gold Corporation
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

	2016	2015
	$	$
Expense		
Amortization (note 4)	-	9,901
Exploration (note 5)	256,692	463,672
General and administration	228,820	322,589
Investor relations	18,063	11,856
Professional fees	475,350	293,000
Salaries and benefits (note 7)	786,292	966,220
Travel and accommodation	10,690	63,750
	1,775,907	2,130,988
Other (income) expense		
Interest income (note 7)	(175,306)	(192,503)
Foreign exchange gain	(1,179)	(689)
Loss on disposal of property and equipment (note 4)	76,478	-
Impairment loss (notes 4, 7 and 9)	477,075	1,435,648
	377,068	1,242,456
Net loss for the year	2,152,975	3,373,444
Other comprehensive (income) loss		
Other comprehensive (income) loss to be reclassified to profit or loss in subsequent periods:		
Unrealized (gain) loss on available-for-sale investments	(7,655)	11,483
Exchange difference on translating foreign operations	9,223	(27,295)
	1,568	(15,812)
Total comprehensive loss for the year	2,154,543	3,357,632
Loss per share – basic and diluted	0.08	0.13
Weighted average number of shares outstanding - basic and diluted	26,536,936	26,233,657

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

(Expressed in Canadian dollars)

				Accumulated other comprehensive income (loss)		
	Share capital	**Contributed surplus**	**Accumulated deficit**	**Cumulative translation adjustments**	**Unrealized gain (loss) on available-for-sale investments**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Balance as at December 31, 2014	63,540,233	7,374,187	(66,613,142)	(370,456)	34,449	3,965,271
Loss for the year	-	-	(3,373,444)	-	-	(3,373,444)
Other comprehensive income (loss)	-	-	-	27,295	(11,483)	15,812
Balance as at December 31, 2015	63,540,233	7,374,187	(69,986,586)	(343,161)	22,966	607,639
Issuance of share capital (note 8)	555,000	-	-	-	-	555,000
Share issuance costs (note 8)	(53,268)	-	-	-	-	(53,268)
Loss for the year	-	-	(2,152,975)	-	-	(2,152,975)
Other comprehensive income (loss)	-	-	-	(9,223)	7,655	(1,568)
Balance as at December 31, 2016	64,041,965	7,374,187	(72,139,561)	(352,384)	30,621	(1,045,172)

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

PNG Gold Corporation
Consolidated Statements of Cash Flows
For the years ended December 31, 2016 and 2015
(Expressed in Canadian dollars)

	2016	2015
	$	$
Operating activities		
Net loss for the year	(2,152,975)	(3,373,444)
Adjustments for items not involving cash		
Amortization (note 4)	56,740	229,136
Accrued interest income	(164,613)	(173,748)
Loss on disposal of property and equipment	76,478	-
Impairment loss (note 9)	477,075	1,435,648
Effect of foreign exchange on cash	55,717	(9,078)
	(1,651,578)	(1,891,486)
Net change in non-cash working capital		
Accounts receivable	(15,637)	1,183
Prepaid expenses	(8,839)	(8,158)
Accounts payable and accrued liabilities	554,303	68,914
Net cash flows used in operating activities	(1,121,751)	(1,829,547)
Financing activities		
Issuance of share capital (note 8)	555,000	-
Share issuance costs (note 8)	(53,268)	-
Net cash flows from (used in) financing activities	501,732	-
Investing activities		
Loan receivable (note 7)	-	(112,613)
Disposal of property and equipment	229,935	-
Net cash flows from investing activities	229,935	(112,613)
Decrease in cash and cash equivalents during the year	(390,084)	(1,942,160)
Cash and cash equivalents, beginning of the year	832,747	2,774,907
Cash and cash equivalents, end of the year	442,663	832,747

Supplemental cash flow information (note 13)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

PNG Gold Corporation (the “Company” or “PNG Gold”) is incorporated under the laws of British Columbia. The Company’s principal business activities were related to its 100% interest in the Normanby exploration license and the Sehulea exploration license, on Normanby Island, eastern Papua New Guinea.

On February 4, 2015, the Company and VeroLube Inc. (“VeroLube”) entered into a binding term sheet (the "Term Sheet") providing for the acquisition by the Company of VeroLube, a private company incorporated under the federal laws of Canada (the "Business Combination"). On February 16, 2016, the Company announced that it will not be proceeding with the Business Combination.

The Company took security in relation to the VeroLube loans over certain patents that relate to a process for recycling used oil ("ReGen^{TM} Process"). The Company has certain non-exclusive rights in relation to the use of the patents (see notes 7 and 16(a)).

On November 2, 2016, the Company announced that it proposes to complete a non-brokered private placement to use a portion of the proceeds of the financing to complete engineering studies to assess the viability of the ReGen^{TM} Process; to undertake additional patent work regarding the ReGen^{TM} Process; and to provide a deposit to secure a potential plant site in Alberta. If the proposed engineering studies show that the oil recycling process is viable then the Company will have to prepare a comprehensive business plan in relation to pursuing this business. Substantial additional funding would be required in order to pursue the oil recycling business. Prior to taking any further steps in this regard the Company will have to take the necessary steps to apply to the TSX Venture Exchange for a change of business.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a “going concern”, which assumes that the Company will continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. At December 31, 2016, the Company had a working capital deficit of $1,084,121, had not yet achieved profitable operations and expects to incur further losses in the development of its business. For the year ended December 31, 2016, the Company reported a comprehensive loss of $2,154,543 and as at December 31, 2016, had an accumulated deficit of $72,139,561. The Company has not generated revenues from operations. The Company is dependent on equity financings to fund its operations. Based on its current plans, budgeted expenditures, and cash requirements, the Company has sufficient cash to finance its current plans for at least 12 months from December 31, 2016 (see note 16 (c) and (f)).

The Company’s address is P.O. Box 93070, Caulfield Village, West Vancouver B.C., V7W 3G4, Canada.

2. BASIS OF PREPARATION

Statement of Compliance

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

These consolidated financial statements have been prepared on a historical cost basis, except for mineral interests, and depreciable property and equipment that have been measured at fair value less cost of disposal and impairment charge and investments that have been measured at fair market value.

These consolidated financial statements for the year ended December 31, 2016 were approved and authorized for issue by the Board of Directors on April 26, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the financial statements of the Company, and its wholly owned subsidiaries (the "Group"): NMC Mining Corp, a corporation existing under the federal laws of Canada, NMC Mining (Barbados) Corp. and Normanby Mining Corp., corporations existing under the laws of Barbados, Normanby Mining PNG Limited ("Normanby PNG"), a corporation existing under the laws of Papua New Guinea and Normanby Mining AUS Pty Limited ("Normanby AUS"), a corporation existing under the laws of Australia. Normanby AUS was dissolved on December 9, 2015 with no significant impact on the consolidated financial statements. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over investee. All significant inter-company transactions and balances have been eliminated upon consolidation.

(b) Foreign Currency Translation

The presentation currency of the Company is the Canadian dollar, which is the same as the functional currency of the parent.

The functional currency of the Company and each of its subsidiaries are determined based on the currency of the primary economic environment in which that entity operates.

Transactions and balances:

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign Currency Translation (continued)

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income. Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Parent and Subsidiary Companies:

The financial results and position of foreign operations whose functional currency is different from the reporting currency are translated as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial period end;
- income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- equity transactions are translated using the exchange rate at the date of the transaction; and
- all resulting exchange differences are recognized in other comprehensive income and reported as a separate component of equity.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with financial institutions that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

(d) Property and Equipment

Property and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses or at the lower of its carrying value and estimated recoverable amount. The cost of an item consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item.

Depreciation is provided for at the following rates:

Assets – Corporate head office	**Rate**
Computer equipment	55% declining balance method
Furniture	20% declining balance method

Assets – Normanby PNG	**Rate**
Drilling equipment	7 years, straight-line method

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property and Equipment (continued)

An item is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the consolidated statements of loss and comprehensive loss.

Where an item of property and equipment is comprised of major components with different useful lives, the components are accounted for as separate items of property and equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

The residual values, useful lives, and methods of depreciation are reviewed at each reporting period and adjusted prospectively if appropriate.

(e) Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong. Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount, net of amortization, that would have been determined had no prior impairment loss been recognized for the asset.

(f) Financial Instruments

Financial Assets

All 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 FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Regular way purchases and sales of FVTPL financial assets are accounted for at trade date, as opposed to settlement date. The Company’s cash and cash equivalents are classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

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's accounts receivable is classified as loans-and-receivables, loan receivable is classified as held-to-maturity and investments are classified as available-for-sale.

Transactions 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.

Financial Liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities. Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period of maturity. The effective interest rate is the rate that exactly discounts estimated future cash payments to the carrying value through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through profit and loss. The Company has not classified any financial liabilities as FVTPL.

A financial liability is derecognized when the associated obligation is discharged, cancelled or expired.

Impairment of Financial Assets

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

If there is objective evidence that an impairment loss on assets 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 discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

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 to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial Instruments (continued)

original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from accumulated other comprehensive income (loss) to profit or loss. Management reviews the fair value of its marketable securities at the end of each reporting period. When the securities are trading below their cost for a prolonged period of time or the decline in value is significant, it is considered impaired. Reversals of impairment in respect of equity instruments classified as available-for-sale are recognized in other comprehensive income (loss) and are not recognized in profit or loss.

(g) Rehabilitation Provision

The Company is subject to various government laws and regulations relating to environmental disturbances caused by exploration and evaluation activities. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. The nature of the rehabilitation activities includes restoration, reclamation and re-vegetation of the affected exploration sites.

The rehabilitation provision generally arises when the environmental disturbance is subject to government laws and regulations. When the liability is recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related asset. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks. Additional environment disturbances or changes in rehabilitation costs will be recognized as additions to the corresponding assets and rehabilitation liability in the period in which they occur.

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. As at December 31, 2016, the Company has not incurred any legal or constructive obligations as a result of its exploration and evaluation activities, except for landowner compensation that have been included in accounts payable and accrued liabilities.

(h) Income Taxes

(i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income Taxes (continued)

(ii) Deferred tax

Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss).

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Such deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income Taxes (continued)

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances arises. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it occurred during the measurement period or recognized in profit or loss thereafter.

(i) Share Capital

Instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, options and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares, options, or warrants are shown in equity as a deduction, net of tax, from the proceeds.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing price on the announcement date. The balance, if any, was allocated to the attached warrants.

In situations where share capital is issued, or received, as non-monetary consideration and the fair value of the asset or services received, or given up is not readily determinable, the fair market value (as defined) of the shares is used to record the transaction. The fair market value of the shares issued, or received, is based on the trading price of those shares on the appropriate Exchange on the date of the agreement to issue shares as determined by the Board of Directors.

(j) Loss Per Share

Basic loss per share is computed by dividing the net loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted loss per common share is computed by dividing the net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

Basic and diluted loss per share are the same, as under the treasury stock method, the effect of common shares issuable upon the exercise of stock options would be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Share-based Payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit and loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit and loss over the remaining vesting period.

When equity instruments are granted to non-employees, they are recorded at the fair value of the goods and services received, unless the fair value of the goods and services received cannot be reasonably measured, in which case they are measured using the equity instruments issued. Expenses are recorded in the statement of comprehensive loss. Amounts related to the cost of issuing shares are recorded as a reduction of share capital. The fair value of equity instruments issued for exploration and evaluation assets are charged to exploration expense.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity instrument except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Segmented Reporting

The Company operates in four geographical areas. The parent's head office is located in Canada and its exploration and evaluation activities are located in Papua New Guinea. In addition, the Company has subsidiaries in Barbados and a subsidiary in Australia that was dissolved on December 9, 2015.

(m) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the date of inception. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

Finance leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Group, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in profit or loss on a straight-line basis over the lease term.

(n) Significant Accounting Estimates and 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 reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Significant Accounting Estimates and Judgments (continued)

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the following:

i. The carrying value and the recoverability of property and equipment and exploration and evaluation assets

The application of the Company's accounting policy for identifying impairment indicators under IFRS requires judgment. If indicators are identified, the determination of recoverable amount of property and equipment and capitalized exploration and evaluation assets requires judgment in determining whether future economic benefits are likely, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is recognized in loss in the period that the new information becomes available.

ii. The carrying value of loan receivable

The fair value of the loan receivable is based on the length to maturity of the loan, the collateral available to the Company, the risk of repayment default and other consideration exchanged. Changes in assumptions, valuation of other consideration exchanged or new information becoming available, can materially affect the fair value of the loan receivable. The fair value of other consideration exchanged is based on a combination of the Black-Scholes valuation model and comparisons to a composite of comparable publically traded companies. The Black-Scholes valuation model incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimates.

VeroLube granted to the Company a royalty-free, non-exclusive, perpetual license to use VeroLube's patented ReGen^{TM} Process in North America, Central America and South America. No value was allocated to the perpetual license for the non-exclusive use of the ReGen^{TM} technology because the technology has never been in commercial production and therefore, it was not possible to reliably estimate the future cash flows (see note 7).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Significant Accounting Estimates and Judgments (continued)

Critical accounting judgments

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

i. The analysis of the functional currency for each entity of the Group - In accordance with IAS 21, the Effects of Changes in Foreign Exchange Rates, management determined that the functional currency of Normanby PNG is the Papua New Guinea Kina and for all other entities within the Group, the functional currency is the Canadian dollar, as these are the currencies of the primary economic environment in which the companies operate.

ii. The determination of impairment of available-for-sale financial assets. The Company determined that certain of its investments were impaired during the current and prior years (see note 6).

(o) New accounting pronouncements

The Company is currently evaluating the following standards not yet in effect and has not yet determined the impact on its financial position and results of operations:

IFRS 15, Revenue from Contracts with Customers – On May 28, 2014, the IASB issued IFRS 15 that provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

IFRS 9 Financial Instruments - In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

IFRS 16, Leases - On January 13, 2016, the IASB published a new standard, IFRS 16, Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Under the new standard, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The liability accrues interest. This will typically produce a front-loaded expense profile (whereas operating leases under IAS 17 would typically have had straight-line expenses). The standard is effective for annual periods beginning after December 15, 2019 (i.e., calendar periods beginning on January 1, 2020), and interim periods thereafter. Early adoption is permitted.

(Expressed in Canadian dollars)

4. PROPERTY AND EQUIPMENT

	Computer and Equipment $	Furniture $	Land $	Drilling Equipment $	Total $
Cost					
Balance as at December 31, 2014	38,741	142,104	8,328	1,630,517	1,819,690
Fully depreciated write off	-	(69,328)	-	-	(69,328)
Impairment	(38,741)	(72,776)		(887,653)	(999,170)
Foreign exchange movement	-	-	-	38,703	38,703
Balance as at December 31, 2015	-	-	8,328	781,567	789,895
Disposal	-	-	-	(519,994)	(519,994)
Impairment	-	-	-	(162,504)	(191,010)
Foreign exchange movement	-	-	-	(99,069)	(70,563)
Balance as at December 31, 2016	-	-	8,328	-	8,328
Accumulated amortization					
Balance as at December 31, 2014	31,748	105,064	-	323,557	460,369
Amortization	2,545	7,356	-	219,235	229,136
Fully depreciated write off	-	(69,328)	-	-	(69,328)
Impairment	(34,293)	(43,092)	-	(292,556)	(369,941)
Foreign exchange movement	-	-	-	7,357	7,357
Balance as at December 31, 2015	-	-	-	257,593	257,593
Amortization	-	-	-	56,740	56,740
Disposal	-	-	-	(213,225)	(213,225)
Impairment	-	-	-	(66,623)	(78,310)
Foreign exchange movement	-	-	-	(34,485)	(22,798)
Balance as at December 31, 2016	-	-	-	-	-
Carrying amounts					
Balance as at December 31, 2015	-	-	8,328	523,974	532,302
Balance as at December 31, 2016	-	-	8,328	-	8,328

	Year ended December 31,	
	2016	2015
Allocation of amortization	$	$
Amortization	-	9,901
Exploration	56,740	219,235
Total amortization	56,740	229,136

(Expressed in Canadian dollars)

4. PROPERTY AND EQUIPMENT (continued)

To ensure that the Company's assets are carried at no more than their recoverable amount, which is the higher of the amount to be recovered through use of the asset (Value In Use – "VIU") and the amount to be recovered through sale of the asset (Fair Value Less Cost Of Disposal – "FVLCD"), the Company performed an impairment analysis in accordance with IFRS 6 and IAS 36. If an asset is carried at more than its recoverable amount, the asset is impaired and IAS 36 requires an entity to recognize an impairment loss. The recoverable amount of each asset was determined based on the FVLCD approach. Estimates of fair value were based on recent observable market transactions or replacement costs for items similar in nature and condition to those impaired.

As at September 30, 2016, the Company determined that there were indicators of impairment for its drilling equipment. The indicators of impairment resulted from the economic uncertainty in general and the downturn in the mining industry in particular, and the Company's decision to significantly reduce future exploration expenditures until the equity market for resource companies improves. As a result, the Company recorded an impairment loss of $95,881 (2015 - $595,097) on drilling equipment. On November 7, 2016, the Company sold its drilling equipment for net proceeds of $229,935 and recorded a loss on sale of $76,478.

5. MINERAL INTERESTS

The cumulative exploration expense on the Company's mineral interest properties are set out in the tables below.

	Papua New Guinea		
	Normanby	Sehulea	Total
	$	$	$
Exploration expense:			
Administration	61,397	4,103	65,500
Assaying	18,011	8,612	26,623
Consulting	11,480	6,555	18,035
Equipment	30,146	29,344	59,490
Legal	6,652	6,652	13,304
Transportation	7,022	2,341	9,363
Travel	1,298	433	1,731
Wages	52,581	10,065	62,646
Year ended December 31, 2016	188,587	68,105	256,692
Cumulative to December 31, 2015	25,329,630	2,397,342	27,726,972
Cumulative to December 31, 2016	25,518,217	2,465,447	27,983,664

(Expressed in Canadian dollars)

5. MINERAL INTERESTS (continued)

	Papua New Guinea		
	Normanby	Sehulea	Total
	$	$	$
Exploration expense:			
Administration	44,738	16,541	61,279
Consulting	33,222	20,947	54,169
Equipment	110,598	109,818	220,416
Field supplies	1,409	851	2,260
Legal	11,938	11,938	23,876
Transportation	9,273	3,720	12,993
Travel	13,312	8,676	21,988
Wages	52,165	14,526	66,691
Year ended December 31, 2015	276,655	187,017	463,672
Cumulative to December 31, 2014	25,052,975	2,210,325	27,263,300
Cumulative to December 31, 2015	25,329,630	2,397,342	27,726,972

Under Papua New Guinea ("PNG") mining laws, the PNG government has the right to elect at any time prior to commencement of mining, to make a single purchase of up to 30% equity interest in any mineral discovery arising from the Company's exploration licenses, at a price prorata to the accumulated exploration expenditure.

The two year term of the Sehulea exploration license expired on January 5, 2016. In October 2015, the Company applied for a further two year renewal from January 5, 2016 of the Sehulea exploration license with an estimated exploration expenditure commitment totaling $124,000. The two year term of the Normanby exploration license expired on April 24, 2016. In January 2016, the Company applied for a further two year renewal from April 24, 2016 of the Normanby exploration license with an estimated exploration expenditure commitment totaling $179,000. The Company was informed by the Mineral Resources Authority of PNG ("MRA") on October 4, 2016 that both of its exploration license renewal applications were refused and will not be renewed. The refusal notice was signed by the PNG Minister for Mining on September 1, 2016. The Company has previously renewed the licenses without any issues. The Company completed a work program in November 2015 and earlier in 2016 its representative met with various parties in Papua New Guinea who indicated no issues with the license renewal process. The Company has pursued this matter to no avail. Currently, the only recourse is to pursue the ultimate successful bidder of the licenses, who had previously signed a non-disclosure agreement with the Company (see also note 16 (g)).

(Expressed in Canadian dollars)

5. MINERAL INTERESTS (continued)

As a result of the refusal to renew the exploration licenses, the Company has lost its exploration rights and ownership of the mineral interests. As at September 30, 2016, the Company evaluated its mineral interests for impairment and wrote off the full amount of the carrying value of $216,819. As the Company no longer has exploration rights and ownership of the mineral interests, the recoverable amount was determined to be $nil.

6. INVESTMENTS

The Company holds 3,827,646 shares of Coppermoly Ltd. ("COY"), initially valued at $440,102. During the year ended December 31, 2012, as a result of the COY shares trading below cost for a prolonged period of time and the decline being significant, management assessed the investment in COY shares as impaired; accordingly, a full impairment loss of $440,102 was recognized in net loss of which $269,258 of the loss was transferred from accumulated other comprehensive loss to net loss at December 31, 2012. Changes in fair value, based on the market price on the Australian Stock Exchange, are recorded in other comprehensive income. The Company recorded an unrealized gain of $72,725 as at December 31, 2013, an unrealized loss of $38,276 as at December 31, 2014, an unrealized loss of $11,483 as at December 31, 2015 and an unrealized gain of $7,655 as at December 31, 2016.

See Related Party Transactions (note 7) for the Company's investment in VeroLube Inc.

	Investment in COY $	Investment in VeroLube Inc. $	Total $
December 31, 2014	34,449	37,500	71,949
Investment	-	8,380	8,380
Unrealized loss	(11,483)	-	(11,483)
Impairment	-	(45,880)	(45,880)
December 31, 2015	22,966	-	22,966
Unrealized gain	7,655	-	7,655
December 31, 2016	30,621	-	30,621

7. RELATED PARTY TRANSACTIONS

Transactions with related parties are measured at the exchange amount established and agreed to by the related parties. Key Management personnel includes the Chief Executive Officer, the President, the Chief Financial Officer and the Directors. For the year ended December 31, 2016 and 2015, salaries to Key Management amounted to $762,905 and $697,875, respectively. During the year ended December 31, 2016, severance in the amount of $57,000 (2015 - $nil) was paid to the Company's former President.

For the year ended December 31, 2016, salaries to Key Management included fees of $10,000 (2015 - $nil) that were paid to a company that is controlled by the Company's current President. For the year ended December 31, 2016, professional fees included $60,000 (2015 - $nil) that was paid to a company that is controlled by a director.

In addition to the related party transactions noted above, the Company reimbursed all these related parties for out-of-pocket direct costs incurred on behalf of the Company. Such costs include travel, postage, courier charges, printing and telephone charges.

On July 7, 2014, the Company entered into an agreement with VeroLube Inc. and its subsidiary, VeroLube Bowden Plant Inc. (collectively, "VeroLube") to loan $140,000 to VeroLube Bowden Plant Inc. The Company's Chief Executive Officer and director is also a director of VeroLube Inc. The Company advanced the $140,000 on July 9,

7. RELATED PARTY TRANSACTIONS (continued)

2014 to assist with plant and property lease payments. The loan bore interest at 5% per annum, was unsecured and matured on September 1, 2014. As at September 30, 2014, VeroLube had not repaid the loan plus accrued interest of $1,611 and was in default in accordance with the terms of the loan agreement. The Company performed an impairment analysis of this outstanding loan and determined that the full amount outstanding including accrued interest was impaired. As a result, the Company recognized an impairment loss for the outstanding amount in the statements of loss and comprehensive loss for the year ended December 31, 2014. The impairment was subsequently reversed as a result of the $500,000 secured loan agreement entered into on November 28, 2014.

On November 28, 2014, The Company and VeroLube entered into a new loan agreement for $500,000 (“VeroLube Loan”) that includes the previous $140,000 loaned. Under the terms of the agreement, the VeroLube Loan shall be repayable on that day which falls 10 calendar days after the date of receipt by VeroLube of written demand made by the Company. The Company shall not make demand for the repayment of the VeroLube Loan before March 30, 2015 (“Maturity Date”). At any time and at the option of the Company, all or any part of the VeroLube Loan may be converted, in whole or in part, into common shares in the capital of VeroLube at a rate equal to the conversion price of $0.40 per share (the “Conversion Feature”). Interest will accrue at the rate of 20% per annum, calculated daily and compounded monthly and shall be payable by VeroLube to the Company on the Maturity Date. The VeroLube Loan is secured by a charge against all present and after-acquired assets of VeroLube, including the patents related to the ReGenTM technology (the “Patents”). In addition, VeroLube has given the following additional consideration for the VeroLube Loan:

(a) issued to the Company 250,000 common shares of VeroLube (“Investment in Verolube Inc.”);

(b) granted to the Company a royalty-free, non-exclusive, perpetual license to use VeroLube’s patented ReGenTM process in Canada, Mexico and Central and South America; and

(c) granted to the Company security interest against all of VeroLube's present and after-acquired personal property.

For accounting purposes, the Company estimated the fair value of each of the instruments in the VeroLube Loan. The fair value of the loan receivable upon initial recognition was determined to be $462,500, which considered the length to maturity of the loan, the collateral available to the Company and the risk of repayment default.

The loan was accreted using the effective annual interest rate of 46% such that the carrying amount equaled the principal amount of $500,000 as at March 31, 2015.

The fair value of the Investment in Verolube Inc. was estimated to be $37,500 based on $0.15 per share, which was adjusted to take into account changes in market conditions that affected a composite of comparable publically traded companies. The estimated fair value of the Conversion Feature was a nominal amount based on the Black-Scholes valuation model and therefore, no value was allocated to the Conversion Feature. No value was allocated to the perpetual license for the non-exclusive use of the ReGenTM technology because the technology has never been in commercial production and therefore, it was not possible to reliably estimate the future cash flows.

Under the terms of the term sheet, the Company agreed to lend VeroLube an additional $250,000 to maintain its business, and that upon written request, the Company will provide additional loans to VeroLube on terms satisfactory to the Company at its sole discretion. During the year ended December 31, 2015, $112,613 of the

(Expressed in Canadian dollars)

7. RELATED PARTY TRANSACTIONS (continued)

additional $250,000 was loaned to VeroLube. VeroLube has agreed to issue 55,875 common shares to the Company as additional consideration for the loans.

On July 20, 2015, the Company announced that the date to complete the Business Combination had passed without conclusion of a transaction due to a number of significant developments related to VeroLube that have hampered the due diligence process necessary to finalizing the transaction. The Company agreed not to call its outstanding loan plus accrued interest to VeroLube. In return, VeroLube agreed to give the Company the non-exclusive rights to its patented and certified ReGen™ used oil re-refining process for the US market. The Company then had the non-exclusive rights to VeroLube's technology for North America, Central America and South America.

On December 31, 2015, the Company performed an impairment assessment on the VeroLube Loan and the Investment in Verolube Inc. taking into consideration Verolube Inc.'s financial condition and the likelihood of Verolube Inc. repaying the loan. The Company determined that expected future cash flow from these two financial instruments was nil and consequently, the Company fully impaired the carrying value of the VeroLube loan ($747,006) and Investment in Verolube Inc. ($45,880) for the year ended December 31, 2015.

The following provides information on the outstanding amounts of the VeroLube Loan.

	$
Balance as at January 1, 2014	-
Fair value of funds advanced	462,500
Accretion	9,329
Balance as at December 31, 2014	471,829
Fair value of funds advanced	112,613
Accretion	162,564
Impairment	(747,006)
Balance as at December 31, 2015	-
Accretion	164,375
Impairment	(164,375)
Balance as at December 31, 2016	-

On March 28, 2016, the Company entered into a forbearance agreement (the "Forbearance Agreement") with VeroLube. Under the Forbearance Agreement, the Company agreed to forbear from exercising its rights and remedies under the loan documents, conditionally upon VeroLube assigning the Patents to the Company and issuing 305,875 common shares of VeroLube to the Company on or before May 31, 2016. If VeroLube did not fulfill those conditions, the Company would be free to exercise its rights and remedies under the loan documents as it saw fit. VeroLube did not fulfill these conditions. The Forbearance Agreement provided that if VeroLube did fulfill those conditions, it will have repaid the loans on or before December 31, 2016. If VeroLube did repay the loans by that date, then the Company would reassign the Patents to VeroLube, and VeroLube would grant the Company a non-exclusive, perpetual license to use the ReGenTM technology worldwide. If VeroLube did not repay the loans by that date, the Company would retain ownership of the patents and would be able to exercise any and all remedies and recourses which were available to it against VeroLube. While it is the assignee of the Patents, the Company will be responsible for paying all reasonable expenses associated with the maintenance of the Patents, and for retaining a lawyer to review the Patents for matters such as validity and jurisdiction, and such expenses shall be added to the amount of the indebtedness. Taking into consideration VeroLube Inc.'s financial condition and the likelihood of VeroLube Inc. repaying the loan, the Company determined that expected future cash flow from the 305,875 common shares of VeroLube is nil and consequently, the Company has not assigned any value to the common shares of VeroLube.

(Expressed in Canadian dollars)

7. RELATED PARTY TRANSACTIONS (continued)

On January 3, 2017, the Company announced that it had granted a limited 30-day extension to its Forbearance Agreement with VeroLube. The extension, from December 31, 2016 to January 30, 2017, was granted subject to certain conditions being met by VeroLube, including: the delivery to the Company of three originally executed copies of the patent license agreement, and delivery to the Company of such documents as it may require to effect assignment of the patents, both as provided for in the Forbearance Agreement. All other terms and conditions of the Forbearance Agreement will remain in full force and effect. On January 16, 2017, VeroLube assigned the patents for the ReGenTM technology to the Company.

On February 3, 2017, the Company issued a demand to VeroLube for repayment of all outstanding loan amounts and accrued and unpaid interest. The Company also provided notice to VeroLube that it is proceeding to enforce its security over the VeroLube patents and personal property.

On November 7, 2016, the Company sold its drilling equipment for net proceeds of $229,935 and recorded a loss on sale of $76,478 (see note 4). The sale of the drilling equipment was made to a related party of the Company, which had two common directors with the Company.

Included in accounts payable and accrued liabilities as at December 31, 2016 is $268,128 (2015 - $120,000) of accrued directors' fees, $50,400 (2015 - $nil) of accrued salaries payable to the current President and $4,000 (2015 - $nil) of accrued expense allowance payable to the Chief Executive Officer.

In connection with the closing of the first tranche of the Offering (see note 8), 500,000 units and 50,000 units were issued to a director and the spouse of the current President, respectively.

8. SHARE CAPITAL

(a) Authorized: Unlimited common shares without par value
Unlimited number of preferred shares without par value

(b) Issued and outstanding:

	Number of common shares	**$**
December 31, 2014 and 2015	131,168,368	63,540,233
Share consolidation	(104,934,711)	-
Private placement	5,550,000	555,000
Share issuance costs	-	(53,268)
December 31, 2016	31,783,657	64,041,965

Effective November 11, 2016, the Company consolidated its share capital and stock options, on a 5-to-1 basis. In accordance with IAS 10 and IAS 33, the Company's basic and diluted loss per share presented in its consolidated statements of loss and comprehensive loss for the year ended December 31, 2016 and 2015, has been computed based on the post consolidated weighted average number of common shares outstanding.

(Expressed in Canadian dollars)

8. SHARE CAPITAL (continued)

On December 13, 2016, the Company closed the first tranche of a non-brokered private placement that was announced on November 29, 2016 (the "Offering") and subsequently amended to raise up to $1.2 million. The closing consisted of the issuance of a total of 5,550,000 units (the "Units") at a price of $0.10 per Unit for gross proceeds of $555,000. Each Unit consists of one common share and one-half of one warrant ("Warrant") with each whole Warrant entitling the holder to acquire one common share at a price of $0.30 per share until December 12, 2017. In the event the common shares of the Company have a closing trading price of $0.30 or higher for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the Warrants to a date that is 30 days from the date the Company provides notice to the holders. In connection with the closing of the first tranche of the Offering, the Company paid an aggregate amount of $23,600 in cash finder's fees to eligible arm's length finders and incurred $29,668 in legal fees.

All securities issued under the Offering are subject to a four month hold period expiring on April 13, 2017.

(c) Stock Options and Share-Based Payments

For the year ended December 31, 2016 and 2015, there were no share-based payments recognized.

A summary of the status of the Company's stock options as at December 31, 2016 and changes during the year are as follows:

	Number of options	**Weighted average exercise price $**
Outstanding and fully vested – December 31, 2014	8,500,000	0.41
Options expired	(1,250,000)	0.35
Outstanding and fully vested – December 31, 2015	7,250,000	0.42
Options expired	(3,475,000)	0.50
Options expired	(100,000)	0.57
Options expired	(1,075,000)	0.35
	2,600,000	0.34
Share consolidation	(2,080,000)	1.70
Outstanding and fully vested – December 31, 2016	520,000	1.70

The Company has the following stock options outstanding and exercisable:

Options Outstanding			**Options Exercisable**	
Number of options at December 31, 2016	**Weighted Average Remaining Contractual Life (Years)**	**Weighted Average Exercise Price $**	**Number of options at December 31, 2016**	**Weighted Average Exercise Price $**
520,000	0.65	1.75	520,000	1.75

8. SHARE CAPITAL (continued)

Options Outstanding			Options Exercisable	
Number of options at December 31, 2015	**Weighted Average Remaining Contractual Life (Years)**	**Weighted Average Exercise Price $**	**Number of options at December 31, 2015**	**Weighted Average Exercise Price $**
1,450,000	1.06	2.10	1,450,000	2.10

(d) Warrants

As at December 31, 2016, there were 2,775,000 warrants outstanding. Each warrant entitles the holder to acquire one common share at a price of $0.30 per share until December 12, 2017. In the event the common shares of the Company have a closing trading price of $0.30 or higher for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the warrants to a date that is 30 days from the date the Company provides notice to the holders. The Company used the residual value method to allocate all of the value received to shares and therefore, no value was allocated to the warrants.

(e) Reserves

Contributed surplus
Share-based payments are recognized in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount in contributed surplus is reclassified to share capital, adjusted for any consideration paid.

Cumulative translation adjustments
The exchange difference on translating the foreign operation from its functional currency (PNG Kina) into the reporting currency (Canadian dollar) is recognized in cumulative translation adjustment.

Unrealized gain (loss) on available-for-sale investments
Financial assets classified as available-for-sale investments are measured at fair value with unrealized gains and losses being recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary.

9. IMPAIRMENT LOSS

To ensure that the Company's long-term assets are carried at no more than their recoverable amount, which is the higher of the amount to be recovered through use of the asset (Value In Use – "VIU") and the amount to be recovered through sale of the asset (Fair Value Less Cost Of Disposal – "FVLCD"), the Company performed an impairment analysis in accordance with IFRS 6 and IAS 36. If an asset is carried at more than its recoverable amount, the asset is impaired and IAS 36 requires an entity to recognize an impairment loss. The recoverable amount of each asset was determined based on the FVLCD approach. Estimates of fair value were based on recent observable market transactions or replacement costs for items similar in nature and condition to those impaired.

As at December 31, 2015 and September 30, 2016, the Company determined that there were indicators of impairment for its property and equipment. The indicators of impairment resulted from the economic uncertainty in general and the downturn in the mining industry in particular, and the Company's decision to significantly reduce future exploration expenditures until the equity market for resource companies improves. In

(Expressed in Canadian dollars)

9. IMPAIRMENT LOSS (continued)

addition, the loan to VeroLube (note 7), Investment in VeroLube (note 7) and accounts receivable from VeroLube, were impaired when the Company determined that due to VeroLube Inc.'s financial condition, the expected future cash flow from these financial instruments was nil. As a result, the Company recorded impairment losses as noted in the table below.

	Year ended December 31	
	2016	2015
	$	$
VeroLube loan (note 7)	164,375	747,006
Investment in VeroLube (note 7)	-	45,880
Accounts receivable from VeroLube	-	13,533
Computer, equipment and furniture (note 4)	-	34,132
Drilling equipment (note 4)	95,881	595,097
Mineral interest (note 5)	216,819	-
Total impairment loss	477,075	1,435,648

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value of Financial Instruments

The Company's financial instruments at December 31, 2016 include cash and cash equivalents, accounts receivable, Investment in COY, and accounts payables and accrued liabilities.

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximates their carrying value due to their immediate or short-term nature, unless otherwise noted.

The fair value of COY shares was based on the closing prices of those shares on Australian Stock Exchange.

Fair Value Hierarchy

Financial instruments recorded at fair value on the Consolidated Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Fair values of financial instruments are determined by valuation methods depending on hierarchy levels as defined below:

Level 1 – Quoted market price in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included in level 1 that are observable for the assets or liabilities, either directly (i.e. observed prices) or indirectly (i.e. derived from prices)

Level 3 – Inputs for the assets or liabilities are not based on observable market data

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the highest level of the hierarchy for which a significant input has been considered in measuring fair value.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The following table presents the financial instruments recorded at fair value or at fair value which approximates the carry amount in the Consolidated Statement of Financial Position, classified using the fair value hierarchy described above:

Asset	Level 1 $	Level 2 $	Level 3 $
December 31, 2016:			
Cash and cash equivalents	442,663	-	-
Investment in Coppermoly Ltd. (note 6)	30,621	-	-
December 31, 2015:			
Cash and cash equivalents	832,747	-	-
Investment in Coppermoly Ltd. (note 6)	22,966	-	-

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk – is the risk of a financial loss to the Company if a counterparty fails to meet its contractual obligations. The Company's cash is largely held in a Canadian financial institution and management believes that the credit risk with respect to financial instruments recorded on the Consolidated Statement of Financial Position at December 31, 2016 is minimal.

Currency risk – currency risk arises due to fluctuations in the exchange rates. The Company's equity financings are sourced in Canadian dollars and the normal day-to-day expenditures are incurred in Canadian dollars. At this time there are no currency hedges in place.

As at December 31, 2016, the Company is exposed to currency risk through the following assets and liabilities denominated in foreign currency:

	Foreign currency	Exchange rate	Canadian Dollar
Cash – Papua New Guinea Kina	2,623	0.4220	1,107
Cash – Australian Dollar	956	0.9681	925
Accounts payable – Papua New Guinea Kina	(194,282)	0.4220	(81,987)
Accrued tax provision – Papua New Guinea Kina	(1,494,864)	0.4220	(630,833)
Accounts payable – Australian Dollar	(10,000)	0.9681	(9,681)
Accounts payable – United States Dollar	(9,615)	1.3442	(12,924)
			(733,393)

A 10% change in the exchange rate of the Papua New Guinea Kina against the Canadian dollar would affect other comprehensive income (loss) by approximately $71,200.

A 10% change in the exchange rate of the Australian dollar against the Canadian dollar would affect other comprehensive income (loss) by approximately $900.

The Company's subsidiaries were sold on March 31, 2017 and therefore, the Company has no significant currency risk exposure after that date (see note 16(g)).

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

A 10% change in the exchange rate of the United States dollar against the Canadian dollar would affect other comprehensive income (loss) by approximately $1,300.

Interest rate risk – is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest income is subject to bank deposit interest rates. During 2016, the Company received $2,126 of interest income from banks and accrued $164,375 of interest income on the VeroLube Loan, which was impaired. A 1% change in interest rate would affect income (loss) before tax of approximately $5,000.

Liquidity risk – is the risk that the Company will be unable to meet its obligations as they become due. The Company manages its liquidity risk by implementing a budget, forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As at December 31, 2016, the Company had $442,663 in cash and cash equivalents, $1,632,857 in current liabilities and no long-term liabilities (see note 1 regarding going concern).

The Company's current liabilities arose as a result of corporate expenses and accruals. Payment due dates for corporate expenses varies from invoice date to 30 to 60 days from date of the invoices.

Price risk – the Company is exposed to price risk with respect to commodity and equity pricing, and the investment in COY. The Company is exposed to changes in market prices and a sensitivity analysis suggests that a 10% change in COY share prices would affect other comprehensive income or loss by approximately $3,000 before tax.

11. CAPITAL MANAGEMENT

The Company manages its capital structure, being its share capital, and makes adjustments to it, based on the funds available to the Company, in order to support future business opportunities. The Company had share capital of $64,041,965 and no long-term debt as at December 31, 2016. 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 business. Planning, annual budgeting, cash flow forecasting and implementing controls over major investment decisions are primary tools used to manage the Company's capital.

The Company's investment policy is to hold cash in interest bearing bank accounts and highly liquid short-term interest bearing investments with maturities of one year or less which can be liquidated at any time without penalties.

The Company currently has no source of revenues. As such, the Company is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

(Expressed in Canadian dollars)

12. COMMITMENTS

The Company has rented an office in Calgary on a month to month basis for $1,000 per month.

In December 2016, the Company entered into contracts related to the ReGen^{TM} Process for engineering pre-FEED studies with a remaining commitment of $215,639 to be incurred in 2017.

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company does not believe that adverse decisions in any pending or threatened proceedings related to any matter, or any amount which it may be required to pay by reason thereof, will have a material effect on the financial condition or future results of operations of the Company.

13. SUPPLEMENTAL CASH FLOW INFORMATION

	Year ended December 31, 2016 $	2015 $
Operating activities		
Interest income received from banks	2,126	19,327

14. GEOGRAPHICAL AREA INFORMATION

	Canada $	Papua New Guinea $	Total $
December 31, 2016			
Property and equipment	8,328	-	8,328
Total assets	586,535	1,150	587,685
December 31, 2015			
Property and equipment	8,328	523,974	532,302
Mineral interests	-	216,819	216,819
Total assets	909,462	776,731	1,686,193

	Year ended December 31, 2016 $	2015 $
Net loss – Canada	1,475,504	2,270,287
Net loss – Barbados	15,160	15,255
Net loss – Papua New Guinea	662,311	1,074,582
Net loss - Australia	-	13,320
Total net loss	2,152,975	3,373,444

(Expressed in Canadian dollars)

15. INCOME TAX

(a) The reconciliation of the Canadian statutory income tax rates to the effective tax rates are as follows:

	Year ended December 31, 2016	Year ended December 31, 2015
Canadian statutory tax rate	26.00%	26.00%
Loss for the year before tax	$(2,152,975)	$(3,373,444)
Income tax recovery at statutory rates	(559,774)	(877,095)
Foreign tax differential	(23,316)	(42,853)
Non-deductible (taxable) items	28,886	114,784
Foreign exchange	-	(216,337)
Deferred tax assets not recognized - change	607,367	1,085,044
Adjustment in respect of prior years	(53,163)	(63,543)
Income tax recovery (expense)	$ -	$ -

(b) Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The ability to realize the tax benefits is dependent upon numerous factors, including the future profitability of operations in the jurisdictions in which the tax benefits arose.

The Company did not recognize deferred tax assets for the following deductible temporary differences:

	December 31, 2016	December 31, 2015
Non-capital losses	$14,682,514	$ 13,542,979
Property and equipment	4,130,438	4,210,439
Exploration and evaluation assets	28,933,559	30,889,693
Share issuance costs	42,615	-
Available-for-sale investments	3,483,127	3,490,782
Intercompany loans and revaluation	38,438,062	35,889,091
Cumulative eligible capital	261,465	261,465
Charitable donation	3,800	3,800
Loan receivable	924,914	760,539
Reserves	341,776	185,584
	$91,242,270	$ 89,234,372

In addition, the Company has not recognized any deferred tax liabilities resulting from temporary differences in other comprehensive income as the Company views that those taxable temporary differences will not reverse in the foreseeable future.

(Expressed in Canadian dollars)

15. INCOME TAX (continued)

(c) The Company has approximately $2,774,000 of unclaimed resource expenses for Canadian income tax purposes which can be carried forward indefinitely and used to reduce taxable income in Canada. The Company has also approximately $29,917,000 unclaimed allowable exploration expenditures ("AEE") for Papua New Guinea tax purposes which may be used to reduce taxable income in Papua New Guinea within 20 years since incurred.

As at December 31, 2016, the Company has the following net operating losses, expiring in various years to 2036 and available to offset future taxable income in Canada, Barbados, Papua New Guinea and Australia.

2019	$	19,000
2020		26,000
2021		50,000
2022		29,000
2023		9,000
2024		15,000
2026		60,000
2027		52,000
2028		318,000
2029		75,000
2030		375,000
2031		2,865,000
2032		2,637,000
2033		2,753,000
2034		2,202,000
2035		1,846,000
2036		1,130,000
Indefinitely		221,000
	$	14,682,000

16. SUBSEQUENT EVENTS

(a) On January 3, 2017, the Company announced that it had granted a limited 30-day extension to its Forbearance Agreement with VeroLube. The extension, from December 31, 2016 to January 30, 2017, was granted subject to certain conditions being met by VeroLube, including: the delivery to the Company of three originally executed copies of the patent licence agreement, and delivery to the Company of such documents as it may require to effect assignment of the patents, both as provided for in the Forbearance Agreement. All other terms and conditions of the Forbearance Agreement will remain in full force and effect. On January 16, 2017, VeroLube assigned the patents for the ReGen™ technology to the Company.

On February 3, 2017, the Company issued a demand to VeroLube for repayment of all outstanding loan amounts and accrued and unpaid interest. The Company also provided notice to VeroLube that it is proceeding to enforce its security over the VeroLube patents and personal property.

16. SUBSEQUENT EVENTS (continued)

(b) On February 8, 2017, the Company granted of an aggregate of 3,075,000 stock options to employees, consultants and directors at an exercise price of $0.17, expiring on the date that is 2 years from the date of the grant. These stock options fully vested on the date of grant. All stock options will be subject to a four-month hold period in accordance with the policies of the TSX Venture Exchange.

(c) On February 9, 2017, the Company closed the final tranche of the Offering. Under the final tranche of the Offering, the Company closed upon 6,450,000 Units at a price of $0.10 per Unit for gross proceeds of $645,000. Each Unit consists of one common share and one-half of one Warrant with each whole Warrant entitling the holder to acquire one common share at a price of $0.30 per share for a period of two years. In the event the common shares of the Company have a closing trading price of $0.30 or higher for a period of 20 consecutive trading days, the Company may accelerate the expiry date of the Warrants to a date that is 30 days from the date the Company provides notice to the holders. In total under the Offering, the Company issued 12,000,000 Units for aggregate gross proceeds of $1,200,000. Certain finder's received a cash fee of up to 8% of the proceeds Offering. All securities issued under the Offering are subject to a four month hold period from the date of issuance.

(d) On February 28, 2017 the Company announced that it has entered into a letter of intent ("LOI") for a Lease with Parkland Refining Limited ("Parkland") for the portion of their property in Bowden, Alberta. The transactions contemplated by the LOI are subject to customary conditions, including completion of due diligence, receipt of all required third party approvals for the Lease and related matters and corporate approvals of each of Parkland and the Company.

(e) On March 7, 2017, the Company entered into a 37 month lease agreement for its new corporate head office that has a total commitment of $304,996.

(f) On March 13, 2017, the Company closed a non-brokered private placement of common shares at a price of $0.30 per share. Under the private placement, the Company issued 7,682,500 shares for gross proceeds of $2,304,750. All securities issued under the private placement are subject to a four month hold period from the date of issuance. Certain finders received a cash fee equal to 8% of the proceeds of the private placement.

(g) On March 31, 2017, the Company sold its wholly owned subsidiary, NMC Mining Corp, to 0804077 BC Ltd. for gross proceeds of one dollar plus future recoveries that are contingent upon certain future events occurring. NMC Mining Corp indirectly holds the Company's assets in Papua New**.**

(h) On March 31, 2017, the Company signed a 3 month contract for investor relations services commencing on April 10, 2017 at $7,500 per month.

(i) On April 1, 2017, the Company granted of an aggregate of 300,000 stock options to an officer at an exercise price of $0.46, expiring on the date that is 2 years from the date of the grant. These stock options will vest over a period of six months from the date of grant.

(j) On April 17, 2017, the Company submitted a change of business application to the TSX Venture Exchange to become an industrial oil listed company, along with filing for a change of name to Gen III Oil Corp.

(Expressed in Canadian dollars)

16. SUBSEQUENT EVENTS (continued)

(k) On April 19, 2017, the Company settled $345,576 in debt ("Debt") in exchange for 2,032,797 common shares (the "Shares") at a deemed price of $0. 17 per Share as follows:

Creditor	Debt Amount	Number of Shares	Nature of Debt
John Detmold, director	$150,000	882,353	60 months of directors' fees at $2,500 per month
Larry Van Hatten, director	$26,250	154,411	10.5 months of directors' fees at $2,500 per month
Larry Van Hatten, director	$8,747	51,453	10.5 months of fees as audit committee chair at $833 per month
Paul DiPasquale, director	$26,250	154,411	10.5 months of directors' fees at $2,500 per month
Brian Nethery, director	$26,250	154,411	10.5 months of directors' fees at $2,500 per month
Greg Clarkes, director and officer	$26,250	154,411	10.5 months of directors' fees at $2,500 per month
Greg Clarkes, director and officer	$4,379	25,759	10.5 months of fees as compensation committee chair at $417 per month
George Davidson, officer	$50,400	296,470	6 months unpaid compensation (inclusive of taxes)
Total	**$318,526**	**1,873,679**	

The remaining 159,118 Shares was issued to an arm's length creditor to settle $27,050 in Debt. All Shares issued is subject to a four-month hold period. The Shares for Debt transactions in the table above are each a related party transaction.

(l) On April 24, 2017, 250,000 warrants, at an exercise price of $0.30 per warrant, were exercised for gross proceeds of $75,000.

17. COMPARATIVE FIGURES

Certain of the comparative balances have been reclassified to conform with the presentation in the current year.