

**American Creek Resources Ltd.**

Financial Statements

**December 31, 2016**

(expressed in Canadian dollars)



DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of American Creek Resources Ltd.:

We have audited the accompanying financial statements of American Creek Resources Ltd., which comprise the statement of financial position as at December 31, 2016, and the statements of loss and comprehensive loss, changes in equity and cash flows for the year 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 financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of American Creek Resources Ltd. as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about American Creek Resources Ltd.'s ability to continue as a going concern.

### Other Matter

The financial statements of American Creek Resources Ltd. for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on April 28, 2016.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
May 1, 2017

# American Creek Resources Ltd.

## Statement of Financial Position

As at December 31, 2016

(expressed in Canadian dollars)

	2016 \$	2015 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash	87,614	10,003
Prepaid expenses and deposits (note 4)	14,626	13,892
Receivables (note 5)	8,152	25,674
	<u>110,392</u>	<u>49,569</u>
<b>Long-term receivables</b> (note 5)	-	29,855
<b>Reclamation bonds</b> (note 6)	66,000	66,000
<b>Property and equipment</b> (note 7)	32,857	40,783
<b>Marketable securities</b> (note 8)	893,750	-
<b>Exploration and evaluation assets</b> (note 9)	<u>2,503,061</u>	<u>14,369,125</u>
	<u>3,606,060</u>	<u>14,555,332</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 10)	1,977,628	2,488,098
Current portion of long-term debt (note 11)	1,730	1,602
	<u>1,979,358</u>	<u>2,489,700</u>
<b>Long-term debt</b> (note 11)	<u>39,359</u>	<u>40,669</u>
	<u>2,018,717</u>	<u>2,530,369</u>
<b>Shareholders' Equity</b>		
<b>Share capital</b> (note 12)	29,300,283	27,159,203
<b>Reserves</b> (note 12)	8,750,728	7,906,076
<b>Accumulated other comprehensive loss</b> (note 13)	(728,750)	-
<b>Deficit</b>	<u>(35,734,918)</u>	<u>(23,040,316)</u>
	<u>1,587,343</u>	<u>12,024,963</u>
	<u>3,606,060</u>	<u>14,555,332</u>
<b>Commitments</b> (note 19)		
<b>Going concern</b> (note 1)		

See accompanying notes to these financial statements.

### Approved by the Board of Directors

"Darren R. Blaney"

Director

"Robert N. Edwards"

Director

**American Creek Resources Ltd.**  
**Statement of Loss and Comprehensive Loss**  
**For the year ended December 31, 2016**

(expressed in Canadian dollars)

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
<b>Expenses</b>		
Advertising and promotion	86,108	31,428
Business development and property investigation	32,490	39,488
Corporate communications	22,348	8,150
Depreciation on equipment (note 7)	20,713	30,335
Interest on long term debt	3,731	3,045
Listing and transfer agent fees	7,475	6,998
Management fees (note 15)	246,450	386,237
Office and administration	85,551	241,430
Professional fees	120,648	286,271
Stock-based compensation (note 12)	671,399	442,763
	<u>(1,296,913)</u>	<u>(1,476,145)</u>
<b>Other</b>		
Property Impairment costs (note 9)	11,379,834	-
Reversal of flow-through share liability (Note 10)	(12,000)	-
Bad debt expense (note 5)	29,855	-
	<u>(12,694,602)</u>	<u>(1,476,145)</u>
<b>Net loss</b>		
<b>Other comprehensive loss</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Unrealized loss on marketable securities (note 8)	728,750	-
<b>Total other comprehensive loss</b>	<u>(728,750)</u>	<u>-</u>
<b>Total comprehensive loss</b>	<u>(13,423,352)</u>	<u>(1,476,145)</u>
<b>Basic and diluted loss per common share</b>	<u>(0.06)</u>	<u>(0.01)</u>
<b>Basic and diluted weighted average number of common shares outstanding</b>	<u>199,471,156</u>	<u>179,189,935</u>

See accompanying notes to these financial statements.

# American Creek Resources Ltd.

## Statement of Changes in Equity

For the year ended December 31, 2016

(expressed in Canadian dollars)

	Share capital		Reserves				Equity
	Number of shares	Amount \$	Share-based payment reserve \$	Warrant reserve \$	Investment revaluation reserve \$	Deficit \$	
<b>Balance as at January 1, 2016</b>	193,182,674	27,159,203	4,648,556	3,257,520	-	(23,040,316)	12,024,963
Shares issued (note 12):							
Private placements	11,885,000	776,000	-	-	-	-	776,000
Shares issued for finders fees	42,000	2,100	-	-	-	-	2,100
Shares issued to settle payables	1,105,068	89,375	-	-	-	-	89,375
Shares issued to acquire exploration and evaluation assets	23,100,000	1,470,500	-	-	-	-	1,470,500
Valuation of warrants issued	-	(173,253)	-	173,253	-	-	-
Share issuance costs	-	(23,642)	-	-	-	-	(23,642)
Valuation of options granted	-	-	671,399	-	-	-	671,399
Unrealized loss on marketable securities	-	-	-	-	(728,750)	-	(728,750)
<b>Loss for the year</b>	-	-	-	-	-	(12,694,602)	(12,694,602)
<b>Balance as at December 31, 2016</b>	<b>229,314,742</b>	<b>29,300,283</b>	<b>5,319,955</b>	<b>3,430,773</b>	<b>(728,750)</b>	<b>(35,734,918)</b>	<b>1,587,343</b>
<b>Balance as at January 1, 2015</b>	167,254,074	25,782,278	4,205,793	3,091,109	-	(21,564,171)	11,515,009
Shares issued (note 12):							
Private placements	9,200,000	540,000	-	-	-	-	540,000
Shares issued to settle payables	12,438,600	641,930	-	-	-	-	641,930
Shares issued to acquire exploration and evaluation assets	4,290,000	386,100	-	-	-	-	386,100
Flow-through share premium	-	(12,000)	-	-	-	-	(12,000)
Valuation of warrants issued	-	(166,411)	-	166,411	-	-	-
Share issuance costs	-	(12,694)	-	-	-	-	(12,694)
Valuation of options granted	-	-	442,763	-	-	-	442,763
<b>Loss for the year</b>	-	-	-	-	-	(1,476,145)	(1,476,145)
<b>Balance as at December 31, 2015</b>	<b>193,182,674</b>	<b>27,159,203</b>	<b>4,648,556</b>	<b>3,257,520</b>	<b>-</b>	<b>(23,040,316)</b>	<b>12,024,963</b>

See accompanying notes to these financial statements.

# American Creek Resources Ltd.

## Statement of Cash Flows

December 31, 2016

(expressed in Canadian dollars)

	2016 \$	2015 \$
<b>Operating activities</b>		
Net loss for the year	(12,694,602)	(1,476,145)
Items not affecting cash		
Depreciation on equipment	20,713	30,335
Deferred income taxes	(12,000)	-
Property impairment costs	11,379,835	-
Bad debt expense	29,855	-
Stock-based compensation	671,399	442,763
	<hr/>	<hr/>
	(604,800)	(1,003,047)
Changes in non-cash working capital		
Prepaid expenses and deposits	(734)	4,141
Receivables	17,522	(11,142)
Accounts payable and accrued liabilities	(409,095)	514,860
	<hr/>	<hr/>
<b>Cash used in operating activities</b>	(997,107)	(495,188)
<b>Financing activities</b>		
Repayment of long-term debt	(1,182)	(1,355)
Proceeds from issuance of capital stock	776,000	540,000
Share issuance costs - cash	(21,542)	(12,694)
	<hr/>	<hr/>
<b>Cash provided by financing activities</b>	753,276	525,951
<b>Investing activities</b>		
Purchase of property and equipment	(12,787)	-
Net proceeds on disposal of exploration and evaluation assets	487,997	-
Expenditures of exploration and evaluation assets	(153,768)	(40,397)
	<hr/>	<hr/>
<b>Cash provided by (used in) investing activities</b>	321,442	(40,397)
<b>Increase (decrease) in cash</b>	77,611	(9,634)
<b>Cash – beginning</b>	10,003	19,637
	<hr/>	<hr/>
<b>Cash – ending</b>	87,614	10,003
	<hr/>	<hr/>
<b>Supplemental disclosures with respect to cash flows</b> (note 14)		

See accompanying notes to these financial statements.

# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

(expressed in Canadian dollars)

### 1 Nature of operations and going concern

American Creek Resources Ltd. (the "Company") was incorporated under the *British Columbia Business Corporations Act* on February 12, 2004 and continued into Alberta on August 26, 2005. The Company is engaged in the exploration and development of mineral properties in Canada and has not yet determined whether its properties contain ore reserves that are economically recoverable.

The head office and principal address of the Company is 92 – 2nd Ave W, Cardston, AB, Canada, T0K 0K0. The Company's registered address and records office is 700 – 9<sup>th</sup> Ave SW, Suite 3000, Calgary, Alberta, Canada, T2P 3V4.

The Company's primary listing is on the TSX Venture Exchange under the ticker symbol "AMK".

#### Going concern

These financial statements have been prepared using International Financial Reporting Standards ("IFRS") as they apply to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of operations. The Company is in the exploration stage and has not generated revenue from operations. The Company incurred a net loss of \$12,694,602 during the year ended December 31, 2016 (2015 – \$1,476,145), generated negative cash flows from operating activities of \$997,107 (2015 – \$495,188) and, as of that date the Company's deficit was \$35,734,918 (2015 – \$23,040,316) and working capital deficiency was \$1,868,966 (2015 – \$2,440,131). As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. These circumstances cause material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

In recognition of these circumstances, management is pursuing various financial alternatives to fund the Company's exploration and development programs, including private placements, property dispositions and settling payables for shares, so it can continue as a going concern. There is no assurance that these initiatives will be successful.

These financial statements do not reflect the adjustments to the carrying values and classifications of assets and liabilities, or to the reported expenses that would be necessary if the Company were unable to realise its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

(expressed in Canadian dollars)

### 2 Basis of preparation

These financial statements have been prepared in compliance with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements were approved for issuance by the Company’s board of directors (“Board”) on May 1, 2016.

These financial statements have been prepared on a historical cost basis except as disclosed in the significant accounting policies in note 3. They are presented in Canadian dollars which is the Company’s functional currency.

### 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as disclosed under the Standards, Amendments and Interpretations Not Yet Effective.

#### Financial instruments

##### *Financial assets*

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired, as follows:

*Fair value through profit or loss* - This category comprises derivatives (if any), or assets acquired or incurred principally for the purpose of selling or repurchasing such financial assets in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of comprehensive loss or income.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Cash, deposits, receivables, long-term receivables and reclamation bonds are classified as loans and receivables.

*Held-to-maturity* - are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company’s intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company does not have any financial assets categorized as held to maturity.



# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

(expressed in Canadian dollars)

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statements of comprehensive loss or income. Foreign exchange gains and losses are also recognized in the statements of comprehensive loss or income. Marketable securities are classified as available-for-sale.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

### *Financial liabilities*

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired, as follows:

*Fair value through profit or loss:* This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing such financial liabilities in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in the statements of comprehensive loss or income.

*Other financial liabilities:* This category includes accounts payable, current portion of long-term debt and long-term debt, all of which are recognized at amortized cost.

### **Exploration and evaluation assets**

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation assets are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, and payments made to contractors. Costs not directly attributable to exploration and evaluation assets activities, including general administrative costs, are expensed in the period in which they occur.

The Company may occasionally enter into option-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain mineral property expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the optionee on its behalf. Any cash or other consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation assets expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation assets expenditures, in excess of estimated recoveries, are written off to the statement of loss and comprehensive loss.

# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

(expressed in Canadian dollars)

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of a cash generating unit may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as “mine under construction”. Exploration and evaluation assets are also tested for impairment before the assets are transferred to mine under construction.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized costs. Exploration and evaluation assets are classified as intangible assets.

### Reclamation bonds

Cash which is held by a third party and is subject to contractual restrictions on use is classified separately as reclamation bonds.

### Property and equipment

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Assets are carried at cost, less accumulated depreciation and accumulated impairment losses. Depreciation is recognized using the declining balance method at the following annual rates:

Computer and office equipment	30%
Exploration equipment	30%
Furniture and fixtures	20%
Vehicles	30%
Leasehold improvements	Over the lease term

An item of property and equipment 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of loss and comprehensive loss in the period the item is derecognized.

Residual values, depreciation methods and useful economic lives are reviewed and adjusted if appropriate, at each reporting date. Subsequent expenditures relating to an item of equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

# **American Creek Resources Ltd.**

## **Notes to Financial Statements**

**December 31, 2016**

(expressed in Canadian dollars)

### **Impairment of property and equipment and exploration and evaluation assets**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a risk-free 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs. Each cash generating unit is determined by grouping assets according to their geographical location.

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

### **Income taxes**

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable loss. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted and are expected to apply when the deferred tax asset or liability is settled.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

# **American Creek Resources Ltd.**

## **Notes to Financial Statements**

**December 31, 2016**

(expressed in Canadian dollars)

### **Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

### **Flow-through shares**

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Amounts equal to the proceeds received from the issuance of flow-through shares must be expended on Canadian resource property exploration expenditures within a maximum two-year period. The portion of the amount equal to the proceeds received but not yet expended at the end of the Company's fiscal period is disclosed separately where applicable.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the "Look-back" Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

### **Share-based payment transactions**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. Options granted vest immediately and have no market performance conditions associated.

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

### **Loss per share**

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributed to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributed to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

# **American Creek Resources Ltd.**

## **Notes to Financial Statements**

**December 31, 2016**

(expressed in Canadian dollars)

### **Provisions for decommissioning liabilities**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a risk free rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period. At December 31, 2016, the Company estimates that there are no significant reclamation costs and have not recorded any provision for environmental rehabilitation.

### **Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligations, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimates of the expenditures required to settle the Company's liability.

### **Significant accounting judgements and estimates**

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

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date; 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 the following:

# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

(expressed in Canadian dollars)

- Measurement of compensation cost attributable to the Company's share based compensation plan, as well as warrants to purchase common shares issued in private placements, are subject to the estimation of fair value using the Black-Scholes option pricing model. The valuation is based on significant assumptions such as: i) the volatility of the share price; ii) the life of the option; iii) forfeiture rate; iv) the risk-free interest rate for the life of the option (see note 12);
- Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings (note 20);
- The Company evaluates the circumstances that may give rise to various commitments along with the likelihood they will occur to estimate any amount to be accrued in the statement of financial position (note 19); and
- Impairment of the Company's exploration and evaluation assets is evaluated at the CGU level. The determination of CGU's requires judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGU's have been determined based on similar geological structure, shared infrastructure, geographical proximity, commodity type and similar exposures to market risks. In testing for impairment, the recoverable amount of the Company's CGU's is determined based on the greater of the value-in-use and fair value less costs of disposal. There is no comparison available of quoted market prices for mineral properties therefore, the recoverable amount is based on estimates of reserves (if any), future precious metal prices, geographical location, prospective potential, and other relevant assumptions.

### **Standards, Amendments and Interpretations Not Yet Effective**

#### *New standards and interpretations issued but not yet adopted*

The following are standards issued but not yet effective up to the date of issuance of these financial statements. The Company reasonably expects these standards to be applicable at a future time and intends to adopt these standards when they become effective. The Company is currently evaluating the impact that these standards will have on the Company's results of operations and financial position.

- IFRS 9, Financial Instruments, which replaces IAS 39 and IFRIC 9. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets and a substantially reformed approach to hedge accounting. The Company does not apply hedge accounting. The new standard is required to be applied for annual reporting periods beginning on or after January 1, 2018.
- IFRS 15, Revenue from Contracts with Customers. The objective of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Application of the standard is mandatory for annual reporting periods starting from January 1, 2018 onwards.

# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

(expressed in Canadian dollars)

- IFRS 16, Leases, which replaces IAS 17 Leases. The objective of the new standard requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating or finance leases, effectively treating all leases as finance leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded. This standard is effective for years beginning on or after January 1, 2019.

### 4 Prepaid expense and deposits

The prepaid expenses for the Company are comprised of the following:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Insurance	12,582	12,134
Vendor prepayments	2,044	1,758
	<hr/>	<hr/>
	14,626	13,892
	<hr/>	<hr/>

### 5 Receivables

The Company's receivables arise from a goods and service tax receivable which are due from Canadian government taxation authorities. Long-term receivables arise from a vendor prepayment arrangement in 2009. During the year ended, December 31, 2016, bad debt expense of \$29,855 (2016 - \$0) was recognized as the long-term receivables was fully written-off as the Company does not expect to collect any amount related to this balance.

### 6 Reclamation Bonds

The Company has posted bonds with the B.C. Ministry of Finance as security towards future site restoration work which will be released to the Company upon satisfactory completion of that work. The bonds were posted in relation to the following properties and amounts:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Electrum	16,000	16,000
Treaty Creek	40,000	40,000
Ironmist	10,000	10,000
	<hr/>	<hr/>
	66,000	66,000
	<hr/>	<hr/>

# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

(expressed in Canadian dollars)

### 7 Property and equipment

	<b>Leasehold Improvement \$</b>	<b>Plant and Equipment \$</b>	<b>Total \$</b>
Net book value – December 31, 2014	30,671	40,447	71,118
Depreciation for the year	(15,335)	(15,000)	(30,335)
Net book value – December 31, 2015	15,336	25,447	40,783
Additions	-	12,787	12,787
Depreciation for the year	(15,336)	(5,377)	(20,713)
Net book value – December 31, 2016	-	32,857	32,857

### 8 Marketable securities

As at December 31, 2016, the Company holds 1,375,000 (2015 – Nil) common shares of Tudor Gold Corp (“Tudor Shares”). 1,000,000 Tudor Shares with a fair value of \$1.18 per share were received pursuant to an agreement in which the Company sold a 60% interest in the Electrum property (note 9). 500,000 Tudor Shares with a fair value of \$1.18 per share were received pursuant to an agreement in which the Company sold a 31% interest in the Treaty Creek property (note 9). Pursuant to an agreement with various Net Smelter Royalty (“NSR”) holders, the Company had to transfer, upon receipt, 25% of the 500,000 shares received in relation to the Treaty Creek property to the NSR holders. The fair value of the net share proceeds received was recorded as proceeds on sale of percentage of ownership which reduced the carrying value of the exploration and evaluation asset.

At December 31, 2016, the 1,375,000 Tudor Shares fair value had decreased to \$0.65 per share and therefore the Company wrote the marketable securities down to \$893,750 with an unrealized loss on marketable securities of \$728,750 (2015 - \$Nil) realized in other comprehensive loss.



# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

(expressed in Canadian dollars)

### 9 Exploration and evaluation assets

As at December 31, 2016, the Company's exploration and evaluation assets are located in Northern British Columbia, Canada. Expenditures incurred on exploration and evaluation assets are as follows:

	Electrum, B.C., Canada \$	Treaty Creek, B.C., Canada \$	Gold Hill, B.C., Canada \$	Dunwell, B.C., Canada \$	Ample Goldmax, B.C., Canada \$	Other Properties, B.C. Canada \$	Total \$
Acquisition costs – December 31, 2015	2,211,402	66,750	336,100	-	-	281,400	2,895,652
Additions	-	1,047,500	-	542,000	9,500	19,000	1,618,000
Acquisition costs – December 31, 2016	2,211,402	1,114,250	336,100	542,000	9,500	300,400	4,513,652
Exploration costs – December 31, 2015	5,054,864	6,398,770	16,397	-	-	3,442	11,473,473
Additions	73,334	-	50,366	412	8,021	21,635	153,768
Exploration costs – December 31, 2016	5,128,198	6,398,770	66,763	412	8,021	25,077	11,627,241
Proceeds on sale of percentage of ownership - cash	(493,999)	-	-	-	-	-	(493,999)
Proceeds on sale of percentage of ownership -shares	(1,180,000)	(583,999)	-	-	-	-	(1,763,999)
Impairment	(4,545,601)	(6,548,376)	-	-	-	(285,857)	(11,379,834)
	(6,219,600)	(7,132,375)	-	-	-	(285,857)	(13,637,832)
	1,120,000	380,645	402,863	542,412	17,521	39,620	2,503,061

# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

(expressed in Canadian dollars)

As at December 31, 2015, the Company's exploration and evaluation assets are located in North British Columbia, Canada. Expenditures incurred on exploration and evaluation assets are as follows:

	Electrum, B.C., Canada \$	Treaty Creek, B.C., Canada \$	Gold Hill, B.C., Canada \$	Other Properties, B.C., Canada \$	Total \$
Acquisition costs – December 31, 2014	2,211,402	66,750	-	231,400	2,509,552
Additions	-	-	336,100	50,000	386,100
Acquisition costs – December 31, 2015	2,211,402	66,750	336,100	281,400	2,895,652
Exploration costs – December 31, 2014	4,958,934	6,398,770	-	3,442	11,361,146
Additions	95,930	-	16,397	-	112,327
Exploration costs – December 31, 2015	5,054,864	6,398,770	16,397	3,442	11,473,473
	7,266,266	6,465,520	352,497	284,842	14,369,125

# **American Creek Resources Ltd.**

## **Notes to Financial Statements**

**December 31, 2016**

(expressed in Canadian dollars)

### **Electrum Property, British Columbia, Canada**

The Electrum property is located north of Stewart, British Columbia. The claims were acquired via an option agreement which all terms and conditions have been completed through total cash payments of \$210,000 and 2,500,000 common shares issued with fair value ranging from \$0.12 to \$0.75 per share. This property is subject to a 2% NSR. The Company may purchase the 2% NSR at any time for \$1,000,000. In 2016, the Company recorded an impairment on the value of the Electrum property in the amount of \$4,545,601. The Company then disposed of a 60% interest in the property for net cash proceeds of \$493,999 and 1,000,000 common shares of the purchaser with a fair value of \$1.18 under the terms of a joint venture agreement (note 19). The Company maintains a 40% interest in the property and for 2016 incurred \$73,334 (2015 - \$95,930) in exploration costs.

### **Treaty Creek Property, British Columbia, Canada**

The Treaty Creek property is located northeast of Stewart, British Columbia. In 2009, the Company completed the requirements as set out in the option agreement to earn a 51% interest in the property by issuing 100,000 common shares with a fair value ranging from of \$0.23 to \$0.24 per share and by incurring the balance of aggregate exploration expenditures in excess of \$5,000,000. Each of the claims that make up the property is subject to either a 1% or 2% NSR royalty on the Company's ownership interest only. The Company has the option to purchase the royalty interests for \$1,500,000 with the exception of 0.5% which can not be purchased and will remain on the claims. In 2016, an impairment of \$6,548,376 on the value of the Treaty Creek property was recorded. The Company then disposed of 31% of its 51% interest in the property for 500,000 common shares of the purchaser with a fair value of \$1.18. The Company had to transfer 25% of the 500,000 common shares of the purchaser to the NSR holders (note 19). The Company maintains a 20% interest in the property and in 2016 incurred \$Nil (2015 - \$Nil) in exploration costs. The Company is not obligated to contribute towards costs until a production notice is given by the operator of the property. Cash disposition costs of \$6,001 were incurred as part of the disposition.

### **Gold Hill Property, British Columbia, Canada**

The Gold Hill property is located near Fort Steele, British Columbia and was purchased on March 9, 2015 along with the D-1 McBride property. Consideration paid for the Gold Hill property consisted of 3,734,444 shares issued to the vendor and 373,444 shares issued as an arms-length finders fee with a fair value of \$0.09 per share. Exploration costs in the amount of \$50,366 (2015 - \$16,397) were incurred during the year.

### **Dunwell Property, British Columbia, Canada**

The Dunwell property is a combination of three newly acquired properties and is located near Stewart, British Columbia. The first of the three properties, the Silvershot property was acquired through staking in the amount of \$412. The second property, the Dunwell property, was purchased through the acquisition of a private company which holds 100% interest in the property by issuing 7,000,000 shares for fair value of \$490,000 (note 12). The third property, the Bear River property, was purchased by issuing 800,000 shares with fair value of \$52,000 (note 12). No exploration costs were incurred during the year.

# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

(expressed in Canadian dollars)

### Ample Goldmax Property, British Columbia, Canada

In 2016, the Company entered into an option agreement to acquire a 100% interest in the Ample Goldmax property located near Lillooet, British Columbia (note 19). The Ample Goldmax claims are subject to a 25% net profit royalty associated with any bulk sample as defined in the agreement. Acquisition costs included the issuance of 100,000 common shares with a fair value of \$9,500. Initial work was completed on the Ample Goldmax property in the amount of \$8,021 as part of the earn-in agreement.

### Other Properties, British Columbia, Canada

The Slippery Willow property is located adjacent to the Company's Electrum property. The property was purchased on February 9, 2007. The consideration paid consisted of \$25,000 in cash and the issuance of 120,000 of the Company's common shares with a fair value of \$1.72 per share. In 2016, the Company recorded an impairment on the property of \$234,842 and disposed of the property under the terms of the Electrum joint venture agreement (see above and note 19).

The D-1 McBride property is located near Dease Lake, British Columbia and was purchased in 2015 along with the Gold Hill property. Consideration paid for the D-1 McBride property consisted of 165,556 shares issued to the vendor and 16,556 shares issued as an arms-length finders-fee with a fair value of \$0.09 per share. The property was expanded in 2016 by staking additional claims for a cost of \$1,016. Future plans for this property are undetermined and subsequent to year end, three of the five D-1 McBride claims held lapsed. As such, the Company recorded an impairment on the property of \$51,015.

In 2016, the Company entered into option agreements to acquire a 100% interest in the Silverside Property located near Clearwater, British Columbia, the Red Tusk Property located near Squamish, British Columbia and the Glitter King Property located on Pitt Island, British Columbia (note 19). Combined acquisition costs included the issuance of 200,000 common shares with a fair value of \$19,000. Each of the claims are subject to a 3% NSR royalty interest that can be purchased for \$500,000 for each 1% interest purchased. In 2016, further exploration costs in the amount of \$12,140 were incurred and capitalized.

The Austruck-Bonanza property is located near Kamloops, British Columbia. In 2010, the value of the property was considered impaired and all acquisition and exploration costs were written off. In 2016, further exploration costs in the amount of \$8,479 (2015 - \$Nil) were incurred and capitalized.

## 10 Accounts payable and accrued liabilities

Accounts payable and accrued liabilities for the Company are comprised of the following:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Trade payables (note 15)	1,946,128	2,446,098
Accrued liabilities (note 15)	-	30,000
Flow-through share liability (note 12)	-	12,000
	<hr/> <b>1,977,628</b>	<hr/> <b>2,488,098</b>

# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

(expressed in Canadian dollars)

### 11 Long-term debt

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Arms-Length loan for leasehold improvements, bearing interest at 8% per annum and repayable in monthly instalments, including principal and interest of \$400 until September 1, 2030.	41,089	42,271
Less: Current portion	(1,730)	(1,602)
	<u>39,359</u>	<u>40,669</u>

### 12 Share capital and reserves

#### Share capital

a) Authorized

Unlimited number of common shares  
Unlimited number of preferred shares

b) Issued and outstanding

	<b>Number of</b>	<b>Amount</b>
	<b>shares</b>	<b>\$</b>
Balance as at December 31, 2014	167,254,074	25,782,278
Issued for cash	9,200,000	540,000
Issued to settle payables	12,438,600	641,930
Issued to acquire exploration and evaluation assets	4,290,000	386,100
Warrant value ((c) below)	-	(166,411)
Flow-through share premium	-	(12,000)
Share issue costs	-	(12,694)
Balance as at December 31, 2015	<u>193,182,674</u>	<u>27,159,203</u>
Issued for cash	11,885,000	776,000
Issued for finders fees	42,000	2,100
Issued to settle payables and services	1,105,068	89,375
Issued to acquire exploration and evaluation assets	23,100,000	1,470,500
Warrant value ((c) below)	-	(173,253)
Share issue costs	-	(23,642)
Balance as at December 31, 2016	<u>229,314,742</u>	<u>29,300,283</u>

# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

(expressed in Canadian dollars)

### Share issuances

During the year ended December 31, 2016, the Company:

- i) Completed a non-brokered private placement offering of 5,000,000 units at a price of \$0.05 per unit for gross proceeds of \$250,000. Each unit consisted of one common share of the Company and one non-transferrable common share purchase warrant. Each warrant may be exercised for one additional common share for a period of 24 months from the closing date of the Offering at a price of \$0.08 per share.
- ii) Completed a non-brokered private placement offering of 2,000,000 units at a price of \$0.05 per unit for gross proceeds of \$100,000. Each unit consisted of one common share of the Company and one non-transferrable common share purchase warrant. Each warrant may be exercised for one additional common share for a period of 24 months from the closing date of the offering at a price of \$0.08 per share. The warrants are subject to an acceleration provision which provides that in the event that the market closing price of the Company's shares exceeds \$0.12 for 20 consecutive trading days, the Company may within 5 days after such an event, provide notice to the warrant holders of early expiry and thereafter, the warrants will expire on the date which is 15 days after the date of the notice to the warrant holders. A finders fee of 42,000 common shares with a fair value of \$2,100 was paid to a non-arms length party related to this offering.
- iii) Issued 15,000,000 common shares with a fair value of \$900,000 under an amended agreement renegotiated with an arm's length third party that holds a Net Smelter Return royalty interest ("NSR Holders") related to the Company's interest in the Treaty Creek property located in NW British Columbia (See note 9 and 19).
- iv) Completed a non-brokered private placement offering of 3,125,000 common shares at a price of \$0.08 per common share for gross proceeds of \$250,000.
- v) Issued 480,068 common shares with a fair value of \$39,375 under a shares for services agreement related to advertising and promotion for the Company.
- vi) Completed a non-brokered private placement offering of 440,000 units at a price of \$0.40 per unit for gross proceeds of \$176,000. Each unit consisted of three flow-through common shares and one non flow-through common share of the Company along with four non-transferrable warrants. Each warrant may be exercised for one additional non flow-through common share for a period of 12 months from the closing date of the offering at a price of \$0.15.
- vii) Acquired exploration assets by issuing 300,000 common shares with a fair value of \$28,500, 7,000,000 common shares with a fair value of \$490,000 and 800,000 common shares with a fair value of \$52,000.
- viii) Company settled a debt in the amount of \$50,000 by issuing an arms-length creditor 625,000 common shares. The fair value of the common shares was determined to be \$0.08 per share.

# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

(expressed in Canadian dollars)

During the year ended December 31, 2015, the Company:

- i) Acquired exploration assets by issuing 4,290,000 common shares of the Company with a fair value of \$386,100.
  - ii) Completed the non-brokered private placement financing of 8,000,000 units ("Units") at a price of \$0.06 per Unit for gross proceeds of \$480,000. Each Unit consisted of one common share of the Company and one non-transferrable common share purchase warrant. Each warrant may be exercised for one additional common share for a period of 24 months from the closing date of the offering at a price of \$0.08 per share if exercised in the first 12 months and \$0.10 per share if exercised in the remaining 12 month period.
  - iii) The Company settled a debt in the amount of \$120,000 by issuing an arms-length creditor 2,000,000 of the above-described Units.
  - iv) The Company settled debt in the amount of \$521,930 by issuing arms-length creditors 10,438,600 shares of the Company at a price of \$0.05.
  - v) Completed a non-brokered private placement of 1,200,000 flow-through units ("FT Units) at a price of \$0.05 per FT Unit for gross proceeds of \$60,000. Each FT Unit consists of one flow-through common share of the Company and one non-transferrable, non-flow-through common share purchase warrant. Each warrant may be exercised for one additional common share for a period of 30 months from the closing date of the offering at a price of \$0.08 if exercised in the first 24 months and \$0.10 thereafter if exercised in the remaining 6 month period. The Company recorded a flow-through share premium liability of \$12,000 as part of the placement.
- c) Stock options and warrants

The Company has an incentive stock option plan that conforms to the requirements of the TSX Venture Exchange. Options to purchase common shares have been granted to directors, officers, employees and consultants of the Company at exercise prices determined by the market value of the common shares on the date of the grant. The options vest immediately on the date of the grant.

# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

(expressed in Canadian dollars)

Stock options transactions and the number of stock options outstanding are summarized as follows:

	<b>Number of options</b>	<b>Weighted average exercise price \$</b>
Balance – December 31, 2014	11,605,000	0.10
Options granted	6,230,000	0.10
Balance – December 31, 2015	17,835,000	0.10
Options expired	(6,855,000)	0.10
Options cancelled	(680,000)	0.10
Options granted	12,470,000	0.06
Balance – December 31, 2016	22,770,000	0.08
Number of options currently exercisable	22,770,000	0.08

The following incentives stock options were outstanding and exercisable as at December 31, 2016:

<b>Expiry Date</b>	<b>Exercise Price \$</b>	<b>Number Outstanding</b>
March 20, 2022	0.10	4,400,000
March 10, 2025	0.10	5,220,000
April, 24, 2025	0.10	680,000
March 2, 2026	0.05	7,700,000
May 19, 2026	0.08	2,870,000
November 2, 2026	0.07	1,900,000
		<u>22,770,000</u>
Weighted average remaining contractual life (years)		<u>8.22</u>



# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

(expressed in Canadian dollars)

During the year ended December 31, 2016, the Company:

- i) Granted 7,700,000 options to purchase common shares to directors and consultants of the Company. Each option to purchase common shares may be exercised for a period of 10 years from the grant date of the options at a price of \$0.05.

The fair value of the common share purchase warrants was determined to be \$339,347 in total using the Black-Scholes option pricing model, assuming a 0% dividend yield, 146% volatility, a risk free interest rate of 1.37%, and a term of 10 years.

- ii) Granted 2,870,000 options to purchase common shares to directors and consultants of the Company. Each option to purchase common shares may be exercised for a period of 10 years from the grant date of the options at a price of \$0.075.

The fair value of the common share purchase warrants was determined to be \$211,081 in total using the Black-Scholes option pricing model, assuming a 0% dividend yield, 146% volatility, a risk free interest rate of 1.58%, and a term of 10 years.

- iii) Granted 1,900,000 options to purchase common shares to directors and consultants of the Company. Each option to purchase common shares may be exercised for a period of 10 years from the grant date of the options at a price of \$0.065.

The fair value of the common share purchase warrants was determined to be \$120,971 in total using the Black-Scholes option pricing model, assuming a 0% dividend yield, 145% volatility, a risk free interest rate of 1.30%, and a term of 10 years.

During the year ended December 31, 2015, the Company:

- i) Granted 5,520,000 options to purchase common shares to consultants of the Company. Each option to purchase common shares may be exercised for a period of 10 years from the grant date of the options at a price of \$0.10.

The fair value of the common share purchase warrants was determined to be \$403,409 in total using the Black-Scholes option pricing model, assuming a 0% dividend yield, 83% volatility, a risk free interest rate of 1.25%, and a term of 10 years.

- ii) Granted 710,000 options to purchase common shares to consultants of the Company. Each option to purchase common shares may be exercised for a period of 10 years from the grant date of the options at a price of \$0.10.

The fair value of the common share purchase warrants was determined to be \$39,354 in total using the Black-Scholes option pricing model, assuming a 0% dividend yield, 83% volatility, a risk free interest rate of 1.70%, and a term of 10 years.

# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

(expressed in Canadian dollars)

Warrant transactions and the number of warrants outstanding are summarized as follows:

	<b>Number of warrants</b>	<b>Weighted average exercise price \$</b>
Balance – December 31, 2014	19,868,880	0.10
Warrants granted	11,200,000	0.10
Warrants expired	<u>(10,536,880)</u>	<u>0.10</u>
Balance – December 31, 2015	<u>20,532,000</u>	<u>0.10</u>
Warrants granted	8,760,000	0.09
Warrants expired	<u>(9,332,000)</u>	<u>0.10</u>
Balance – December 31, 2016	<u>19,960,000</u>	<u>0.10</u>

The following warrants to acquire common shares were outstanding at December 31, 2016:

<b>Expiry Date</b>	<b>Exercise Price \$</b>	<b>Number Outstanding</b>
April 22, 2017	0.10	8,000,000
April 24, 2017	0.10	2,000,000
August 4, 2017	0.15	1,250,000
September 2, 2017	0.15	510,000
March 8, 2018	0.08	5,000,000
March 17, 2018	0.08	2,000,000
April 12, 2018	0.10	<u>1,200,000</u>
		<u>19,960,000</u>
Weighted average remaining contractual life (years)		<u>0.70</u>

# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

(expressed in Canadian dollars)

The following warrants to acquire common shares were issued during the year ended December 31, 2016:

- i) The Company issued 5,000,000 warrants to purchase common shares as part of a private placement. Each common share purchase warrant may be exercised for a period of 24 months from the closing date of the private placement at a price of \$0.08.

The relative fair value of the common share purchase warrants was determined to be \$113,283 in total using the Black-Scholes option pricing model, assuming a 0% dividend yield, 93% volatility, a risk free interest rate of 0.41% and a term of 24 months.

- ii) The Company issued 2,000,000 warrants to purchase common shares as part of a private placement. Each common share purchase warrant may be exercised for a period of 24 months from the closing date of the issuance at a price of \$0.08.

The relative fair value of the common share purchase warrants was determined to be \$32,065 in total using the Black-Scholes option pricing model, assuming a 0% dividend yield, 88% volatility, a risk free interest rate of 0.41% and a term of 24 months.

- iii) The Company issued 1,760,000 warrants to purchase common shares as part of a private placement. Each common share purchase warrant may be exercised for a period of 12 months from the closing date of the private placement at a price of \$0.15.

The relative fair value of the common share purchase warrants was determined to be \$27,905 in total using the Black-Scholes option pricing model, assuming a 0% dividend yield, between 167% and 179% volatility, a risk free interest rate of 0.01% and a term of 12 months.

The following warrants to acquire common shares were issued during the year ended December 31, 2015:

- i) The Company issued 8,000,000 warrants to purchase common shares as part of a private placement. Each common share purchase warrant may be exercised for a period of 24 months from the closing date of the private placement at a price of \$0.08 if exercised in the first 12 months and \$0.10 if exercised in the remaining 12 month period.

- ii) The Company issued 2,000,000 warrants to purchase common shares as part of a shares for debt agreement. Each common share purchase warrant may be exercised for a period of 24 months from the closing date of the issuance at a price of \$0.08 if exercised in the first 12 months and \$0.10 if exercised in the remaining 12 month period.

The fair value of the common share purchase warrants was determined to be \$150,000 in total by calculating the difference in the value of the common share trading price on the date the transaction was announced and the actual issuance price of the "Units" issued. This difference is allocated to the value of the common share purchase warrants issued.

# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

(expressed in Canadian dollars)

- iii) The Company issued 1,200,000 warrants to purchase common shares as part of a private placement. Each common share purchase warrant may be exercised for a period of 30 months from the closing date of the private placement at a price of \$0.08 if exercised in the first 24 months and \$0.10 if exercised in the remaining 6 month period.

The fair value of the common share purchase warrants was determined to be \$16,411 in total using the Black-Scholes option pricing model, assuming a 0% dividend yield, 83% volatility, a risk free interest rate of 0.53% and 0.67% respectively and a term of 30 months.

### Reserves

Reserves is comprised of the following balances as at December 31, 2015 and December 31, 2016:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Warrants reserve	3,280,773	3,107,520
Share-based payments reserve	5,469,955	4,798,556
	<hr/>	<hr/>
	8,750,728	7,906,076
	<hr/>	<hr/>

### 13 Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss includes the investment revaluation reserve which records unrealized gains and losses arising on available-for-sale financial assets, except for impairment losses.

### 14 Supplemental disclosures with respect to cash flows

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Cash paid during the year for interest	2,418	3,044
	<hr/>	<hr/>
	2,418	3,044
	<hr/>	<hr/>

# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

(expressed in Canadian dollars)

Supplementary disclosure of non-cash investing and financing activities during the year ended December 31:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Stock-based compensation (note 12)	671,399	442,763
Exploration and evaluation assets expenditures in accounts payable	40,000	1,650
Shares issued for acquisition of exploration and evaluation assets	1,470,500	386,100
Shares issued for exploration costs in exploration and evaluation assets	-	71,930
Shares issued for settlement of debt	89,375	641,930
Fair value of marketable securities received for disposal of exploration and evaluation assets	1,763,999	-
	<u>4,035,273</u>	<u>1,544,373</u>

### 15 Related party transactions

Included in accounts payable and accrued liabilities is \$520,033 (2015 – \$1,013,250) due to companies controlled by officers of the Company. These amounts due to related parties are unsecured, bear interest at comparable market rates, and have no specific terms of repayment.

During the year ended December 31, 2016, the Company incurred the following related party transactions:

- a) Incurred fees in the amount of \$187,272 (2015 – \$148,480) to a company controlled by the Company's Chief Executive Officer.
- b) Incurred fees in the amount of \$Nil (2015 – \$184,518) to a company controlled by the Company's Chief Operating Officer.
- c) Incurred fees in the amount of \$75,500 (2014 – \$53,239) to a company controlled by the Company's Chief Financial Officer.

For the year ended December 31, 2016, the total remuneration of key management personnel was \$246,450 (2015 - \$386,237) of management fees, \$16,322 (2015 - \$Nil) of capitalized exploration expenditures and \$545,508 (2015 - \$332,664) of stock-based compensation.

# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

(expressed in Canadian dollars)

### 16 Financial Instruments

#### Fair value

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data.

As at December 31, 2016, the Company's financial instruments are comprised of cash, receivables, reclamation bonds, accounts payable and debt instruments. The carrying value of cash, receivables and accounts payable and reclamation bonds approximate their fair values due to the relatively short periods to maturity of these financial instruments.

#### Risk management

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

##### *Credit risk*

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is limited to the carrying amount on the statement of financial position and arises from the Company's cash, receivables and reclamation bonds.

The Company's cash is held through a Canadian chartered bank which is high-credit quality financial institution. The Company's receivables primarily consist of harmonized sales tax rebates due from the Government of Canada which are all current. The Company believes credit risk to be insignificant.

##### *Liquidity risk*

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. 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 a cash balance of \$87,614 and short-term receivables of \$8,152 to settle current liabilities of \$1,979,358 (note 1). The Company forecasts its cash needs on a regular basis and seeks additional financing based on those forecasts. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. Since inception, the Company has financed its cash requirements primarily through issuance of common shares. All of the Company's financial liabilities have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. In certain circumstances extended credit arrangements have been negotiated with vendors. All arrangements negotiated are on terms less than one year. See note 1 for further discussion on going concern and its impact on liquidity. The Company believes liquidity risk to be high.

# American Creek Resources Ltd.

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(expressed in Canadian dollars)

### *Market risk*

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

a) Interest rate risk

The Company's current policy is to hold deposits in highly rated banking institutions. Interest on short and long-term debt arrangements are fixed and are specifically disclosed. Interest earned is negligible and therefore interest rate risk is low.

b) Foreign currency rate risk

The Company is domiciled in Canada and its capital is raised in Canadian dollars and does not conduct regular business in any foreign country. Therefore, foreign currency rate risk is considered low.

## 17 Capital management

The Company's working capital deficit as at December 31, 2016 was \$1,868,966 (2015 – \$2,440,131). The Company's capital management objectives, policies and processes have not been changed over the years presented. The Company is not subject to any externally imposed capital requirements.

The Company manages its cash and common shares as capital. The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the on-going business objectives including, but not limited to pursuing the exploration of its exploration and evaluation assets, funding of future growth opportunities, and pursuit of new acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company manages its capital structure by issuing new shares, adjusting capital spending or disposing of assets. In addition, management of the Company's capital structure is facilitated through its financial and operational forecasting processes. The forecast of the Company's future cash flows is based on estimates of commodity prices, forecast capital and operating expenditures, and other investing and financing activities or further discussed in note 1 going concern. The forecast is regularly updated based on new commodity prices and other changes, which the Company views as critical in the current environment.

## 18 Segmented information

The Company operates in one reportable operating segment, being the exploration and development of exploration and evaluation assets in Canada.

# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

(expressed in Canadian dollars)

### 19 Commitments

#### Amended NSR Agreement

On April 13, 2016, the Company issued 15,000,000 common shares at \$0.06 under an amended agreement with arms length third parties that hold a NSR related to the Company's interest in the Treaty Creek property located in NW British Columbia (notes 9 and 12). The amended agreement reduces the prior \$6 million payment obligation which was potentially triggered if the Company reduced its 51% interest in the property, or granted access for development and tunnel construction.

Additional terms of the amended agreement include:

- a) The NSR holders will hold a 2% NSR on certain Treaty Creek property mineral tenures ("Group I") and a 1% NSR on the remaining Treaty Creek mineral tenures ("Group II"). The NSR interests apply only to the Company's interest in the Treaty Creek property. Within 30 days of a Treaty Creek property feasibility study being completed, the NSR holders will be paid an aggregate sum of \$1,500,000 in order for the Company to collectively buy out 0.75% of the Group I NSR and 0.25% of the Group II NSR. At any time the Company may buy out a further 0.75% of the Group I and 0.25% of the Group II NSR for the aggregate sum of \$1,500,000. The NSR holders will retain a 0.5% NSR on the Group I and Group II mineral tenures.
- b) The NSR holders were entitled to 25% of any cash payments or securities the Company received related to the Company entering into an agreement with a third party to advance the Treaty Creek project such that it disposes directly or indirectly of any of its interest in the Treaty Creek property. During the year ended December 31, 2016, the Company disposed 31% of its 51% interest for 500,000 common shares of the purchaser, and as such had to transfer 125,000 of those common shares to NSR holders fulfilling this obligation under the agreement (notes 8 and 9).
- c) The Company will pay the NSR holders 25% of any consideration the Company may receive from any non-governmental party for access, easement or right of way over, on, under or through any part of the Treaty Creek property for a mining infrastructure purpose, or fees for the use of the Company's own infrastructure facilities.
- e) The Company will pay the NSR holders 25% of any compensation proceeds the Company may receive from any governmental or quasi-governmental agency for the loss of any rights resulting from the expropriation of access, easement or right of way over, on, under or through any part of the Treaty Creek property for a mining infrastructure purpose.

#### Mineral Property Acquisitions

During the year ended December 31, 2016, the Company entered into four option agreements to acquire a 100% interest in the Ample Goldmax Property, the Glitter King Property, the Silverside Property and the Red Tusk Property. The terms of each of the agreements are as follows:



# American Creek Resources Ltd.

## Notes to Financial Statements

December 31, 2016

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### **Ample Goldmax Property**

\$7,000 cash payment within 5 business days of TSX-V approval (in default) and issuance of 100,000 common shares within 10 business days of TSX-V approval (issued with a fair value of \$9,500) (notes 9 and 12);

*Year 1* - \$10,000 cash payment, 200,000 common shares issued to the optionor and \$15,000 in exploration work conducted on the property prior to the one year anniversary of the agreement;

*Year 2* - \$15,000 cash payment, 250,000 common shares issued to the optionor and \$25,000 in exploration work conducted on the property prior to the two year anniversary of the agreement;

*Year 3* - \$30,000 cash payment, 300,000 common shares issued to the optionor and \$75,000 in exploration work conducted on the property prior to the three year anniversary of the agreement; and

*Year 4* - \$100,000 in exploration work conducted on the property prior to the four year anniversary of the agreement.

The Optionor will also retain a 25% bulk sample royalty on any net profits the Company receives from the extraction of a bulk sample as well as a 3% NSR Royalty which can be bought out anytime for \$500,000 for each 1% purchased.

### **Glitter King Property**

\$7,500 cash payment within 30 business days of TSX-V approval (in default) and issuance of 100,000 common shares to the option within 10 business days of TSX-V approval (issued with a fair value of \$9,500) (notes 9 and 12);

*Year 1* - \$10,000 cash payment, 100,000 common shares issued to the optionor and a minimum of \$10,000 in exploration work conducted on the property prior to the one year anniversary of the agreement;

*Year 2* - \$20,000 cash payment, 150,000 common shares issued to the optionor and \$20,000 in exploration work conducted on the property prior to the two year anniversary of the agreement;

*Year 3* - \$30,000 cash payment, 200,000 common shares issued to the optionor and \$25,000 in exploration work conducted on the property prior to the three year anniversary of the agreement; and

*Year 4* - \$35,000 in exploration work conducted on the property prior to the four year anniversary of the agreement.

The Optionor will also retain a 3% NSR Royalty which can be bought out anytime for \$500,000 for each 1% purchased.

### **Silverside Property**

\$5,000 cash payment within 30 business days of TSX-V approval (in default) and issuance of 50,000 common shares to the optionor within 10 business days of TSX-V approval (issued with a fair value of \$4,750) (notes 9 and 12);

# **American Creek Resources Ltd.**

## **Notes to Financial Statements**

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(expressed in Canadian dollars)

*Year 1* - \$10,000 cash payment, 75,000 common shares issued to the optionor and a minimum of \$5,000 in exploration work conducted on the property prior to the one year anniversary of the agreement;

*Year 2* - \$20,000 cash payment, 100,000 common shares issued to the optionor and \$10,000 in exploration work conducted on the property prior to the two year anniversary of the agreement;

*Year 3* - \$30,000 cash payment, 150,000 common shares issued to the optionor and \$30,000 in exploration work conducted on the property prior to the three year anniversary of the agreement; and

*Year 4* - \$50,000 in exploration work conducted on the property prior to the four year anniversary of the agreement.

The Optionor will also retain a 3% NSR Royalty which can be bought out anytime for \$500,000 for each 1% purchased.

### **Red Tusk Property**

\$5,000 cash payment within 30 business days of TSX-V approval (in default) and issuance of 50,000 common shares to the optionor within 10 business days of TSX-V approval (issued with a fair value of \$4,750) (notes 9 and 12);

*Year 1* - \$10,000 cash payment, 75,000 common shares issued to the optionor and a minimum of \$10,000 in exploration work conducted on the property prior to the one year anniversary of the agreement;

*Year 2* - \$20,000 cash payment, 100,000 common shares issued to the optionor and \$20,000 in exploration work conducted on the property prior to the two year anniversary of the agreement;

*Year 3* - \$30,000 cash payment, 150,000 common shares issued to the optionor and \$30,000 in exploration work conducted on the property prior to the three year anniversary of the agreement; and

*Year 4* - \$50,000 in exploration work conducted on the property prior to the four year anniversary of the agreement.

The Optionor will also retain a 3% NSR Royalty which can be bought out anytime for \$500,000 for each 1% purchased.

All cash payments, share payments and work commitment amounts in each of the agreements may be accelerated at the Company's discretion.

# American Creek Resources Ltd.

## Notes to Financial Statements

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### 20 Income taxes

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate to the income for the year, and is reconciled as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Loss before income taxes	(12,694,602)	(1,476,145)
Statutory rate	26.00%	26.00%
Anticipated income tax recovery at the combined basic federal and provincial tax rate	(3,300,597)	(383,798)
Increases resulting from		
Adjustments arising from prior year tax filings	15,600	(52,396)
Rate differences	-	(255,394)
Effect of items not deductible for tax purposes	319,594	115,118
Unrecognized tax asset	2,965,403	576,470
Total income tax expense	-	-

The components of the deferred income tax balance are as follows:

	<b>2016</b>	<b>2015</b>
	<b>\$</b>	<b>\$</b>
Non-capital loss carry forwards	4,799,209	4,812,704
Exploration and evaluation assets	919,341	(1,858,654)
Equipment	448,996	460,672
Marketable securities	33,963	-
Cumulative eligible capital	175,500	-
Share issue costs	7,649	4,533
	6,384,658	3,419,255
Less: Deferred tax asset not recorded	(6,384,658)	(3,419,255)
	-	-

The Company has not recorded its deferred income tax asset because of its history of net operating losses since inception.

# American Creek Resources Ltd.

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The Company has incurred losses of \$18,458,494 for tax purposes which are available to reduce future taxable income. The losses will expire as follows:

	\$
2026	1,773,348
2027	2,803,443
2028	1,626,710
2029	1,366,782
2030	1,432,208
2031	1,295,971
2032	2,292,304
2033	2,887,582
2034	1,323,849
2035	1,022,631
2036	633,666
	<u>18,458,494</u>

The Company also has Canadian exploration expenditures and Canadian development expenditures, available to reduce future years' taxable income, in the amount of \$7,485,219, which has no expiry date.

## 21 Subsequent events

### Warrant Extension

On April 19, 2017, the Company extended the term of 8,000,000 share purchase warrants that were purchased in conjunction with the private placement announced on March 24, 2015 by approximately two years. These share purchase warrants will now be exercisable until April 22, 2019 and the exercise price remains unchanged at \$0.10. All other terms remain unchanged.

### Debt Settlement

On April 20, 2017, the Company entered a Debt Settlement Agreement with an arms-length creditor. The Company agreed to issue 5,000,000 common shares as payment and settlement of \$300,000 of debt owing to the creditor. The Debt Settlement Agreement is subject to TSX-V approval which has not been obtained nor have any shares related to this transaction been issued.