MONTERO MINING AND EXPLORATION LTD.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

March 31, 2017 and 2016
Expressed in Canadian Dollars

The accompanying unaudited interim consolidated financial statements of Montero Mining and Exploration Ltd. (the “Company”) have been prepared by and are the responsibility of the Company’s management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

MONTERO MINING AND EXPLORATION LTD.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars – unaudited)

	Notes	March 31, 2017	December 31, 2016
ASSETS		**$**	**$**
Current assets			
Cash		1,983	4,589
Other receivables		2,615	1,426
Prepaid expenses and deposits		10,558	6,240
Total current assets		15,156	12,255
Non-current assets			
Reclamation bonds	4	9,393	9,393
Plant and equipment		12,402	14,950
Exploration and evaluation assets	4	2,533,891	2,493,536
Total non-current assets		2,555,686	2,517,879
TOTAL ASSETS		**2,570,842**	**2,530,134**
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current liabilities			
Trade and other payables	10	440,605	311,138
Loans payable	5,10	641,269	625,959
Total current liabilities		1,081,874	937,097
SHAREHOLDERS' EQUITY			
Equity attributable to the owners of the Company			
Share capital	6	14,448,342	14,448,342
Share-based payment reserve	7	6,871,179	6,871,179
Foreign currency translation reserve		1,063,114	1,072,992
Accumulated deficit		(20,893,667)	(20,799,476)
Total shareholders' equity		1,488,968	1,593,037
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,570,842**	**2,530,134**

Subsequent events 15

On behalf of the Board:

"Antony Harwood" — Antony Harwood, Director

"Antonia J Chapman" — Antonia J Chapman, Director

See accompanying notes to the condensed consolidated financial statements

MONTERO MINING AND EXPLORATION LTD.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars - unaudited)

	Notes	Three months ended March 31, 2017	Three months ended March 31, 2016
		$	**$**
EXPENSES			
Consulting, directors', administrative and management fees	10	47,205	49,464
Depreciation		2,436	3,567
General and administrative	10	6,978	7,042
Other expenses		4,666	4,654
Professional fees		11,169	7,240
Shareholder and regulatory		6,673	6,908
OPERATING LOSS		(79,127)	(78,875)
OTHER ITEMS			
Finance costs	5,10	(15,310)	(11,682)
Foreign exchange gain (loss)		246	5,722
		(15,064)	(5,960)
NET LOSS		**(94,191)**	**(84,835)**
OTHER COMPREHENSIVE INCOME			
Exchange difference on translating foreign operations		(9,878)	(65,855)
COMPREHENSIVE LOSS		**(104,069)**	**(150,690)**
LOSS PER SHARE – BASIC AND DILUTED	8	$ (0.01)	$ (0.01)

See accompanying notes to the condensed consolidated financial statements

MONTERO MINING AND EXPLORATION LTD.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in Canadian dollars - unaudited)

	Note	Share Capital		Warrant Reserve	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Deficit	TOTAL EQUITY
		Number of Shares	$	$	$	$	$	$
Balance, December 31, 2015		**71,031,679**	**13,906,274**	—	**6,871,179**	**1,105,310**	**(20,897,182)**	**985,581**
Net loss and comprehensive loss		—	—	—	—	(65,855)	(84,835)	**(150,690)**
Balance, March 31, 2016		**71,031,679**	**13,906,274**	—	**6,871,179**	**1,039,455**	**(20,982,017)**	**834,891**
Shares issued for debt settlement		13,720,495	548,820	—	—	—	—	**548,820**
Share issue costs		—	(6,752)	—	—	—	—	**(6,752)**
Net income and comprehensive income		—	—	—	—	33,537	182,541	**216,078**
Balance, December 31, 2016		**84,752,174**	**14,448,342**	—	**6,871,179**	**1,072,992**	**(20,799,476)**	**1,593,037**
Net loss and comprehensive loss		—	—	—	—	(9,878)	(94,191)	**(104,069)**
Balance, March 31, 2017		**84,752,174**	**14,448,342**	—	**6,871,179**	**1,063,114**	**(20,893,667)**	**1,448,968**

See accompanying notes to the condensed consolidated financial statements

MONTERO MINING AND EXPLORATION LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars – unaudited)

	Three months ended March 31, 2017	Three months ended March 31, 2016
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the year	(94,191)	(84,835)
Adjustments to loss for non-cash items:		
Depreciation	2,436	3,567
Non-cash interest expense	15,310	11,682
Net changes in non-cash working capital items:		
Other receivables	(1,189)	8,744
Prepaid expenses and deposits	(4,318)	(2,825)
Trade and other payables	129,543	124,458
Net cash flows used in operating activities	47,591	60,791
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditures on exploration and evaluation assets	(50,197)	(95,467)
Net cash flows used in investing activities	(50,197)	(95,467)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans received	-	34,999
Net cash flows from financing activities	-	34,999
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,606)	323
CASH AND CASH EQUIVALENTS, BEGINNING	4,589	8,878
CASH AND CASH EQUIVALENTS, ENDING	1,983	9,201

See accompanying notes to the condensed consolidated financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Montero Mining and Exploration Ltd ("Montero" or the "Company") was incorporated on October 5, 2006, under the laws of British Columbia, Canada. Montero and its subsidiaries (collectively, the "Company") are engaged in the acquisition and exploration of mineral properties in Tanzania and South Africa.

Montero is a publicly listed company with its shares listed on the TSX Venture Exchange ("TSX-V"). The Company's registered office is located at 1040 West Georgia Street, Suite 1900, Vancouver, BC, V6E 4H3 and its head office address is Suite 1128, 789 West Pender Street, Vancouver, BC V6C 1H2.

Going Concern

These condensed consolidated interim financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at March 31, 2017 the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These conditions give rise to substantial doubt about the Company's ability to continue as a going concern. When further funds are required, they will be financed through a private placement of common shares or by debt instruments. Subsequent to the quarter-end, the Company received cash of $20,000 from a promissory note loan from a director and $150,000 pursuant to an Offering of Special Warrants (as herein defined) (Note 15).

2. STATEMENT OF COMPLIANCE

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

These condensed consolidated interim financial statements comply with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. These condensed consolidated interim financial statements do not include all of the information required of a complete set of consolidated financial statements and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and the performance of the Company since the end of its last annual reporting period. It is therefore recommended that these condensed consolidated interim financial statements be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2016, which were prepared in accordance with IFRS as issued by the IASB.

The condensed consolidated interim financial statements were authorized for issue on May 30, 2017 by the Audit Committee of the Company.

3. BASIS OF PRESENTATION

These condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of their application as the most recent annual consolidated financial statements of the Company for the year ended December 31, 2016. The condensed consolidated interim financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed consolidated interim financial statements are presented in Canadian dollars, unless otherwise indicated.

(Expressed in Canadian dollars - unaudited)

4. EXPLORATION AND EVALUATION ASSETS

A summary of the Company's exploration and evaluation assets by property area is as follows:

	March 31, 2017	December 31, 2016
	$	$
South Africa - Phosco	1,336,114	1,333,501
Tanzania - Wigu Hill	1,197,777	1,160,035
	2,533,891	**2,493,536**

a) South Africa

Phosco Project

On November 18, 2011, the Company's subsidiary, Montero Projects Limited ("Montero Projects") acquired the shares in Eurozone which holds interests in subsidiary companies that hold phosphate exploration projects in South Africa (hereafter, "Phosco"). Montero Projects paid $101,700 (United States dollars "USD" $100,000) and issued 2,500,000 common shares of Montero, valued at $750,000, and completed the acquisition of Eurozone. The Company now holds two licences covering the Duyker Eiland and Phillips Kraal areas.

On August 19, 2014, the Company entered into a letter agreement, which was subject to legal and technical due diligence, with Ovation Capital ("Ovation", a South Africa based investment firm) to develop the Phosco Project. A definitive Exploration and Co-development Agreement ("Agreement") was signed on March 2, 2015 between Montero Projects and Mellosat Proprietary Limited, Montero's subsidiaries, and Business Venture Investments No. 1709 Proprietary Limited ("BVI"), an Ovation company whereby BVI would finance a Pre-feasibility Study (to be completed within 12 months of signing of the Agreement) to earn 10% of Phosco and would further finance a Bankable Feasibility Study (to be completed within 24 months of signing the Agreement) to earn an additional 20% of Phosco, for a total potential ownership of 30% of Phosco.

Based on the work undertaken by BVI, they indicated that they will forgo the initial one year milestone and proceed directly to conducting work on the Bankable Feasibility Study to be completed by March 2, 2017, which would then entitle them to earn 30% of the Phosco. On March 24, 2017, BVI requested, and Montero granted, an extension to June 12, 2017 to give them additional time to complete the work required.

The Company has a total of $9,393 (December 31, 2016 - $9,393) in reclamation bonds and deposits lodged with local governments in regards to any potential reclamation costs that may arise regarding its Phosco Project.

b) Tanzania

Wigu Hill Project

On May 26, 2008 (amended June 30, 2009 and April 27, 2010) the Company and RSR (Tanzania) Limited ("RSR") entered into an agreement whereby RSR granted the Company an exclusive option to earn an initial 60% interest in the Wigu Hill Project (the "First Option"), and an additional 10% interest in the Wigu Hill Project (the "Second Option"). The terms and conditions of the final amended agreement on April 27, 2010 are outlined as follows. In order to exercise the First Option, the Company must pay United States dollars ("USD") $150,000 on or before April 30, 2010 (paid). After the exercise of the First Option, RSR will transfer the prospecting licences comprising the Wigu Hill Project (the "Wigu Hill Licences") to a newly-formed company (established and called - Wigu Hill Mining Company Limited "WHMC") and the Company will concurrently pay RSR a further USD $50,000 (paid). The Company is further obligated to incur exploration expenditures of USD $3.5 million (incurred) (or alternatively complete a prefeasibility study) on or before November 28, 2012. Once completed, the Company may at its sole discretion, within 60 days after November 28, 2012, elect to acquire a further 10% interest in the Wigu Hill Licences by paying RSR a further USD $2,000,000 to complete the requirements to execute the Second Option (amended as outlined below).

4. EXPLORATION AND EVALUATION ASSETS – *Continued*

c) Tanzania – *Continued*

Wigu Hill Project – *Continued*

On September 22, 2011, the Company and RSR executed a shareholders' agreement, which outlines the following:

- amended the payment of USD $2,000,000 to an initial Second Option payment of $800,000 (paid) and a final Second Option payment of USD $700,000, which is to be paid subject to receipt of mining and retention licences granted by the Government of Tanzania, as well as a development agreement executed by the Government of Tanzania and the Company. By mutual agreement between the Company and RSR, the USD $700,000 payment may be satisfied by the issuance of common shares of Montero at the prevailing market price of such shares at the date of payment.
- agreement that the Company has now duly and validly exercised the First Option and the Second Option, and owns a 70% interest in the Wigu Hill Licences.
- RSR has transferred the Wigu Hill Licences to WHMC which was originally owned 70% by the Company and 30% by RSR. Further funding of exploration on the Wigu Hill Licences shall be provided by the Company and RSR in proportion to their ownership of WHMC.
- dilution provisions are provided subject to a deemed expenditure formula and, and where a party's interest is diluted to less than 10%, conversion of such interest to a 2.5% net smelter returns royalty ("NSR") will be done. The Company has the right to purchase all or part of the NSR for USD $1 million per each 0.5%.

After the establishment of WHMC, further exploration costs were incurred by the Company and RSR has not yet paid their share of these costs which at March 31, 2017 were determined to be $1,608,337 (USD $1,208,367) and have been included in exploration and evaluation assets. Management has not recorded RSR's share as a receivable due to the uncertainty of payment. RSR was put on notice for its contribution required and advised that dilution will occur if payment is not received. The notice period for receipt of payment has expired and therefore Montero increased its ownership of the WHMC to 82.25%.

In common with all mining companies, licences are required to be renewed in order to maintain ownership. Montero regularly reviews its licences and meets the local governmental requirements on the licences it plans to renew. In particular, Montero has been granted a Retention Licence on its Wigu Hill Project which is valid until February 13, 2020.

(Expressed in Canadian dollars - unaudited)

4. EXPLORATION AND EVALUATION ASSETS – *Continued*

Details of the Company's exploration and evaluation assets are as follows:

	South Africa	**Tanzania**		
	Phosco	**Wigu Hill**	**Three Months ended March 31, 2017**	**Year ended December 31, 2016**
	$	**$**	**$**	**$**
Property acquisition costs				
Balance, beginning of period	784,351	403,352	**1,187,703**	1,155,669
Foreign currency translation	-	(3,296)	**(3,296)**	(11,684)
Additions	-	40,085	**40,085**	55,399
Impairment	-	-	**-**	(11,681)
Balance, end of period	784,351	440,141	**1,224,492**	1,187,703
Exploration and evaluation costs				
Balance, beginning of period	549,150	756,683	**1,305,833**	1,374,927
Foreign currency translation	-	(6,546)	**(6,546)**	(26,514)
Costs incurred during the period:				
Field and camp costs	-	3,528	**3,528**	11,849
Geochemical and metallurgical	-	-	**-**	3,766
Geological consulting	-	-	**-**	(44,482)
Geophysical and maps	1,148	-	**1,148**	-
Maintenance and environmental	1,465	-	**1,465**	(32,339)
Project administration costs	-	3,971	**3,971**	17,232
Travel and accommodation	-	-	**-**	1,394
	551,763	757,636	**1,309,399**	1,305,833
Balance, end of period	551,763	757,636	**1,309,399**	1,305,833
Total	**1,336,114**	**1,197,777**	**2,533,891**	2,493,536

(Expressed in Canadian dollars - unaudited)

5. LOANS PAYABLE

These amounts represent loans and accrued interest payable and are due to companies that have a director in common with the Company totalling $606,258 (December 31, 2016 - $591,688) and to a third party totalling $35,011 (December 31, 2016 - $34,271). The loans are unsecured, bear interest at 12% and were originally due on May 31, 2014 and have now been extended to a revised due date of July 31, 2017. The loans payable amounts include $123,856 of accrued interest (December 31, 2016 - $108,546). During the three months ended March 31, 2017, interest of $15,310 has been charged to finance costs (three months ended March 31, 2016 - $11,682).

Subsequent to March 31, 2017, the Company received $20,000 from a promissory note from a director (Note 15).

Subsequent to March 31, 2017, the Company announced that it intends to convert certain of the loans payable totalling $625,959 and $20,000 promissory note into Special Warrants as more fully described in Note 15.

6. SHARE CAPITAL

Authorized
Unlimited number of common shares without par value.

Issued and outstanding
At March 31, 2017 there were 84,752,174 issued and fully paid common shares outstanding (December 31, 2016 – 84,752,174).

Details of changes to share capital
None during the period.

Stock options
The Company has established a Stock Option Plan (the "Plan") for directors, officers, employees and consultants. The number of common shares that are available for grants of options under the Plan shall not at any time exceed 10% of the number of outstanding common shares, calculated at the time of grant. Options granted under the Plan generally have a term of five years and vest on the date of the grant.

A summary of the continuity of the Company's stock options is as follows:

	March 31, 2017		**December 31, 2016**	
	Number of Shares Issuable	Weighted Average Exercise Price	Number of Shares Issuable	Weighted Average Exercise Price
		$		**$**
Options outstanding, beginning of period	1,405,000	0.125	3,270,000	0.32
Granted	-	-	-	-
Expired	-	-	(1,865,000)	0.46
Options outstanding and exercisable, end of period	1,405,000	0.125	1,405,000	0.125

The stock options expire in 2018. The weighted average remaining contractual life of the outstanding stock options is 1.08 years.

(Expressed in Canadian dollars - unaudited)

7. SHARE-BASED PAYMENT RESERVE

The Company's share-based payment reserve is comprised of the following:

	$
Expired warrants	5,086,472
Expired stock options	1,730,797
Unexpired stock options	53,910
Balance, March 31, 2017	**6,871,179**

The share-based payment reserve records items recognized as stock-based compensation expense, the fair value of expired warrants associated with private placements and the fair value of agent's warrants. If the stock options are exercised prior to expiry, the corresponding amount will be transferred to share capital.

8. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year. The basic and diluted loss per share are the same since the Company reported a loss for the period and therefore the effect would be antidilutive.

	March 31, 2017	March 31, 2016
Net loss attributable to owners of the parent company	$ (94,191)	$ (84,835)
Weighted average number of ordinary shares outstanding	84,752,174	71,031,679
Basic and diluted loss per ordinary share	$ (0.01)	$ (0.01)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these condensed consolidated interim financial statements.

9. COMMITMENTS AND CONTINGENCIES

The Company has no operating lease commitments. The Company has capital commitments relating to its exploration and evaluation assets as outlined in Note 4.

(Expressed in Canadian dollars - unaudited)

10. RELATED PARTY TRANSACTIONS

Key management personnel compensation

	Three months ended March 31,	
	2017	**2016**
Compensation of key management personnel		
Short-term benefits	20,172	19,852
Share-based payments	-	-
	20,172	19,852
Total remuneration of directors and key management personnel	**20,172**	**19,852**

Related party transactions

The Company incurred the following transactions with management, directors, officers or companies which have directors in common, or in which the directors have significant influence and interests.

	Three months ended March 31,	
	2017	**2016**
	$	**$**
Exploration and evaluation asset transactions		
Geological consulting	-	40,763
Total exploration and evaluation asset transactions	-	40,763
Operating expense transactions		
Consulting, directors', administrative and management fees	6,600	10,200
General and administrative	3,000	3,000
Finance costs	14,570	10,926
	24,170	24,126
Total trading transactions with related parties	**24,170**	**64,889**

Related party balances

The following amounts due to related parties are included in trade and other payables:

	March 31, 2017	**December 31, 2016**
	$	**$**
Due to related parties	**172,434**	**135,246**
Loans payable (Note 5)	**606,258**	**591,688**

The amounts due to related parties represent amounts due to directors and officers or companies which have directors in common, or in which the directors have significant influence and interests. These amounts are included in trade and other payables and are unsecured, non-interest bearing and are due within twelve months. The terms of the loans payable are outlined in Note 5.

(Expressed in Canadian dollars - unaudited)

11. SEGMENTED INFORMATION

The Company has one business segment being the exploration and evaluation of mineral resources. The Company is organized by geographic area and as such, its reportable operating segments are located in Canada, Tanzania and South Africa.

Information regarding the Company's geographic segments is as follows:

As at March 31, 2017	**Canada**	**South Africa**	**Tanzania**	**Total**
	$	**$**	**$**	**$**
Reclamation bonds	-	9,393	-	9,393
Plant and equipment	-	-	12,402	12,402
Exploration and evaluation assets	-	1,336,114	1,197,777	2,533,891
Total non-current assets	**-**	**1,345,507**	**1,210,179**	**2,555,686**

As at December 31, 2016	**Canada**	**South Africa**	**Tanzania**	**Total**
	$	**$**	**$**	**$**
Reclamation bonds	-	9,393	-	9,393
Plant and equipment	-	-	14,950	14,950
Exploration and evaluation assets	-	1,333,501	1,160,035	2,493,536
Total non-current assets	**-**	**1,342,894**	**1,174,985**	**2,517,879**

12. NON-CASH TRANSACTIONS

There were no non-cash transactions during the three months ended March 31, 2017 or three months ended March 31, 2016 that are not reflected in the statement of cash flows:

13. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern, while supporting the Company's business and maximizing the return to its stakeholders. The Company's capital structure is adjusted based on management's decisions to issue debt or equity instruments to fund expenditures. In order to maximize ongoing exploration efforts, the Company does not pay dividends. The Company's Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business. The capital of the Company consists of equity attributable to owners of the parent comprised of share capital, stock options and warrants.

The Company's principle assets are in the exploration and evaluation stage and, as a result, the Company currently has no source of operating cash flow. In order to facilitate the management of capital and exploration of its mineral properties, the Company needs to raise capital as and when required to complete its projects and for working capital. The sources of future funds presently available to the Company are through the issuance of new share capital, through the exercise of stock options and/or warrants or through borrowings from related parties.

13. CAPITAL MANAGEMENT – *Continued*

The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions, as well as the business performance of the Company. There can be no assurances that the Company will be successful in its efforts to arrange additional financing, when required, on terms satisfactory to the Company.

Management prepares operating budgets to forecast its financing requirements in advance and they review their capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company. The Company's investment policy is to hold excess cash in interest-bearing accounts at high credit quality financial institutions to minimize risk and maximize liquidity. The Company's overall strategy remains unchanged from the prior period. The Company is not subject to any externally imposed capital requirements.

14. RISK MANAGEMENT

The Company operates in the mining industry and faces a number of risks that could adversely affect the Company's operations. These risks include industry risk, credit risk, liquidity risk, interest rate risk, foreign currency risk, commodity price risk. Management reviews and develops policies for managing each of these risks which are summarized below.

Industry Risk
The Company is engaged in the mineral exploration field, which is subject to inherent risks of success as well as compliance with environmental, political and regulatory requirements. The Company is potentially at risk for environmental reclamation obligations associated with resource property interests. As well, the Company operates in foreign countries and is subject to local political risks, as well as local regulatory requirements regarding ownership and maintenance of mineral licences. Management is of the opinion that they have the expertise to address these risks and makes all efforts to conduct their business in compliance with local industry standards, however environmental and local industry laws and practices are complex, and there is no certainty that all exposure to liability or costs have been mitigated.

Credit Risk
Credit risk is the risk of loss associated with a counter-party's ability to fulfill its payment obligations. The Company's primary exposure to credit risk is attributable to its cash and cash equivalents, as well as trade and other receivables. This risk relating to cash and cash equivalents is considered low since the Company only invests its cash in major banks which are high credit quality financial institutions. The other receivables primarily comprise local sales tax refunds due from governmental agencies and, as such, management considers the risk with their collection minimal. The cash and cash equivalents are invested in short-term investment certificates for periods less than 90 days and the trade and other receivables are due in less than 90 days.

Liquidity Risk
Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash in order to meet its liquidity requirements and to develop budgets to forecast cash requirements in advance of their requirements. The Company currently does not have a source of operating cash flow and must raise funds for its exploration and evaluation programs and for general working capital. There are risks associated with raising the funds required, and there can be no assurances that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. The Company's trade and other payables are generally due within 90 days, with all amounts due within twelve months. The Company's loans payable are due on July 31, 2017.

14. RISK MANAGEMENT – *Continued*

Interest Rate Risk
Interest rate risk refers to the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents which represent excess cash invested in short-term investments and these accrue interest at variable market rates. The Company monitors these investments with its need for cash flow and is satisfied with the return on these investments, given the timing of the need for cash in the Company. The Company has a fixed interest rate on its loans payable. The effect of interest rate changes on the Company is insignificant.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates in Canada, South Africa and Tanzania and portions of its expenditures are incurred in US dollars, South African Rand and Tanzanian Shillings. The Company's presentation currency is the Canadian dollar, the Tanzanian subsidiaries' functional currency is the United States dollar and the South African subsidiaries' functional currency is the Canadian dollar. At March 31, 2017 and 2016, the value of financial assets and liabilities denominated in currencies other than the functional currency of the entity to which they relate is not significant.

Commodity Price Risk
The Company is exposed to price risk with respect to commodity prices. Commodity price risk is the potential adverse impact on earnings and economic value of its exploration and evaluation assets, due to commodity price movements and volatilities. The Company monitors commodity prices (primarily rare earth elements and phosphates) to determine the appropriate course of action to be taken by the Company.

15. EVENTS AFTER THE REPORTING PERIOD

Subsequent to March 31, 2017 the following events took place:

a) In May, 2017, the Company announced that it intends to complete a non-brokered private placement of up to 20,000,000 special warrants (the "Special Warrants") at a price of $0.025 per Special Warrant (the "Subscription Price") for gross proceeds of up to $500,000 (the "Offering"). Each eight Special Warrants are exercisable into one common share if the Consolidation Condition (as herein defined) is satisfied on or before September 30, 2017. The Offering is expected to close on or before May 31, 2017.

   The Offering is being made pursuant to the grant of a "discretionary waiver" of the TSX-V's minimum $0.05 pricing requirement (the "Waiver") and is subject to acceptance by the TSX-V. With respect to the Waiver, the Company intends to conduct a share consolidation of its outstanding common shares on the basis of one post-consolidation common share for each eight pre-consolidation common shares (the "Share Consolidation"), or such other ratio as may be agreed in writing by the Company and the subscribers to the Offering (the "Consolidation Condition") which would result in a post-consolidation conversion price equal to or greater than $0.05 per common share on or before September 30, 2017 (the "Consolidation Deadline").

   If the Consolidation Condition is satisfied on or before the Consolidation Deadline, the Special Warrants shall be deemed to be exercised for no further consideration (without any further action on the part of the Special Warrant holders) on the date of the Consolidation Condition. However, if the Consolidation Condition is not satisfied on or before the Consolidation Deadline, the Special Warrants shall be redeemed at the Subscription Price with interest payable at the rate of 10% per annum.

15. EVENTS AFTER THE REPORTING PERIOD– *Continued*

Completion of the Offering is subject to certain conditions including, but not limited to, the receipt of all necessary approvals, including shareholder approval of the Share Consolidation at the annual and special meeting of shareholders to be held on June 30, 2017 and the approval of the TSX-V and the securities regulatory authorities.

b) In April 2017, the Company received additional amounts totalling $20,000 from a director in regards to a promissory note, due on demand and bearing no interest. The lender has advised the Company that this promissory note is to be converted into Special Warrants as outlined in the Debt Settlement details (as herein defined) below.

c) In May 2017, the Company received $150,000 in cash for subscriptions for the Offering as described above.

d) In May, 2017, the Company announced that it intends to complete a debt settlement transaction (the “Debt Settlement”) with certain creditors (“Creditors”), including Creditors who are related parties of the Company, providing for the settlement of approximately $821,436 of its outstanding debts, which will be settled through the issuance of an aggregate of 32,857,440 Special Warrants of the Company at a deemed issue price of $0.025 per Special Warrant. The Debt Settlement includes certain of the loans payable as described in Note 10 totalling $625,959, $20,000 of the promissory note described in Note 15 (b) above and trade and other payables totalling $175,477. The Debt Settlement is subject to regulatory approval. The Company expects to complete the Debt Settlement shortly after such approvals are obtained.