



# MISTANGO RIVER

R E S O U R C E S

UNAUDITED INTERIM FINANCIAL STATEMENTS

For the three month periods ended March 31, 2017 and 2016

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of Mistango River Resources Inc. are the responsibility of the management and Board of Directors of the Company.

The unaudited interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Robert J. Kasner", President and CEO  
Robert J. Kasner

"Johnny Oliveira", CFO  
Johnny Oliveira

## NOTICE TO READER

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim financial statements for the three month periods ended March 31, 2017 and 2016 have not been reviewed by the Company's auditors.

# Mistango River Resources Inc.

## UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION

(Canadian dollars)

AS AT,	March 31, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current</b>		
Cash (Note 4)	\$ 614,701	\$ 689,013
Trade and other receivables (Note 5)	5,095	5,356
	<b>619,796</b>	694,369
<b>Investments</b> (Note 7)	<b>14,201</b>	7,940
<b>Property, plant and equipment</b> (Note 8)	<b>86,004</b>	90,530
	<b>\$ 720,001</b>	\$ 792,839
<b>LIABILITIES</b>		
<b>Current</b>		
Trade and other payables (Note 9 and 10)	\$ 391,715	\$ 386,853
	<b>391,715</b>	386,853
<b>EQUITY</b>		
Share capital (Note 11 (a))	21,061,066	21,061,066
Reserve for share based payments (Note 12 (a))	3,911,594	3,911,594
Reserve for warrants (Note 12 (b))	800,000	800,000
Deficit	(25,420,977)	(25,337,016)
Accumulated other comprehensive loss	(23,397)	(29,658)
	<b>328,286</b>	405,986
	<b>\$ 720,001</b>	\$ 792,839

Nature of Operations and Going Concern (Note 1)  
Commitments and Contractual Obligations (Note 14)

Approved on behalf of the Board on May 11, 2017:

"Robert J. Kasner", Director

"Daniel Farrell", Director

*The accompanying notes are an integral part of these unaudited interim financial statements*

## Mistango River Resources Inc.

### UNAUDITED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Canadian dollars)

<b>Three month periods ended March 31,</b>	<b>2017</b>	<b>2016</b>
<b>Expenses</b>		
Salaries, fees and benefits (Note 10)	\$ 21,731	\$ 37,264
Professional and consulting fees (Note 10)	12,000	8,500
Office, general and administrative (Note 10)	11,143	11,942
Shareholder Information	2,606	2,940
Amortization (Note 9)	4,526	5,659
Exploration and evaluation expenditures (Notes 10 and 13)	31,955	3,181
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (83,961)</b>	<b>\$ (69,486)</b>
<b>Loss per share</b>		
Basic and diluted	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding		
Basic and diluted (000's)	38,073	38,073
<b>Comprehensive Income (Loss)</b>		
Net loss for the period	\$ (83,961)	\$ (69,486)
Unrealized gain on investments (Note 7)	6,261	-
<b>Net comprehensive loss</b>	<b>\$ (77,700)</b>	<b>\$ (69,486)</b>

*The accompanying notes are an integral part of these unaudited interim financial statements*

# Mistango River Resources Inc.

## UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Canadian dollars)

	Share Capital		Reserves			Accumulated other comprehensive loss	Total
	Number of Shares	Amount	Share based payments	Warrants	Deficit		
Balance at December 31, 2015	38,073,481	\$ 21,061,066	\$ 3,911,594	\$ 800,000	\$ (25,774,164)	\$ (33,412)	\$ (34,916)
Net income for the year	-	-	-	-	437,148	-	437,148
Unrealized gain on investments for the year	-	-	-	-	-	3,754	3,754
<b>Balance at December 31, 2016</b>	<b>38,073,481</b>	<b>\$ 21,061,066</b>	<b>\$ 3,911,594</b>	<b>\$ 800,000</b>	<b>\$ (25,337,016)</b>	<b>\$ (29,658)</b>	<b>\$ 405,986</b>
Net loss for the period	-	-	-	-	(83,961)	-	(83,961)
Unrealized gain on investments for the period	-	-	-	-	-	6,261	6,261
<b>Balance at March 31, 2017</b>	<b>38,073,481</b>	<b>\$ 21,061,066</b>	<b>\$ 3,911,594</b>	<b>\$ 800,000</b>	<b>\$ (25,420,977)</b>	<b>\$ (23,397)</b>	<b>\$ 328,286</b>
Balance at December 31, 2015	38,073,481	\$ 21,061,066	\$ 3,911,594	\$ 800,000	\$ (25,774,164)	\$ (33,412)	\$ (34,916)
Net loss for the period	-	-	-	-	(69,486)	-	(69,486)
Balance at March 31, 2016	38,073,481	\$ 21,061,066	\$ 3,911,594	\$ 800,000	\$ (25,843,650)	\$ (33,412)	\$ (104,402)

*The accompanying notes are an integral part of these unaudited interim financial statements*

## Mistango River Resources Inc.

### UNAUDITED INTERIM STATEMENTS OF CASH FLOWS

(Canadian dollars)

Three months ended March 31,	2017	2016
<b>Operations</b>		
Net loss for the period	\$ (83,961)	\$ (69,486)
Adjustments to reconcile net loss for the period to cash flow from operating activities:		
Amortization	4,526	5,659
Net change in non-cash operating working capital items:		
Trade and other receivables	261	1,550
Trade and other payables	4,862	34,819
	<b>(74,312)</b>	<b>(27,458)</b>
<b>Net decrease in cash</b>	<b>(74,312)</b>	<b>(27,458)</b>
Cash, beginning of period	689,013	176,961
<b>Cash, end of period</b>	<b>\$ 614,701</b>	<b>\$ 149,503</b>

*The accompanying notes are an integral part of these unaudited interim financial statements*

## **Mistango River Resources Inc.**

(An Exploration Stage Enterprise)

### **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2017 AND 2016**

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#### **1. NATURE OF OPERATIONS AND GOING CONCERN CONSIDERATIONS**

Mistango River Resources Inc. ("Mistango" or the "Company") is a federally incorporated company. The Company's head office is located at 4 Al Wende Ave., Kirkland Lake, ON, P2N 3J5. Mistango's principal business is the acquisition and exploration of mineral properties. Substantially all of the efforts of the Company are devoted to these business activities. To date, the Company has not earned significant revenue and is considered to be in the exploration stage. The ability of the Company to carry out its business plan rests with its ability to secure equity and other financing.

As at March 31, 2017, the Company had cash of \$614,701 (December 31, 2016 - \$689,013), working capital of \$228,081 (December 31, 2016 - \$307,516), had not yet achieved profitable operations, had accumulated losses of \$25,420,977 (December 31, 2016 - \$25,337,016) and expects to incur further losses in the development of its business, all of which casts doubt upon the Company's ability to continue as a going concern. The Company is in the exploration stage and has no proven reserves or production relating to its operations. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so.

Management believes the Company has sufficient funds or access to sufficient funds to cover planned operations throughout the next twelve month period. However, management plans on securing additional financing through the issue of new equity, among other things. Nevertheless, there is no assurance that these initiatives will be successful.

These financial statements have been prepared on the basis of accounting principles 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. The business of mining and exploring for minerals involves a high degree of risk and there is no guarantee that the Company's exploration programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out the exploration and development of its mineral property interests.

Management believes the going concern assumption to be appropriate for these financial statements. If the going concern assumption was not appropriate, adjustments might be necessary to the carrying value of the assets and liabilities, reported revenues and expenses, and the statement of financial position classifications used in the financial statements.

The future profitability of exploration properties and the Company's continued existence are dependent upon the preservation of its interests in the underlying properties, the development of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

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

## **Mistango River Resources Inc.**

(An Exploration Stage Enterprise)

### **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2017 AND 2016**

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## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

These unaudited interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) as at May 11, 2017. These unaudited interim financial statements were authorized by the Board of Directors of the Company on May 11, 2017.

### **2.2 Basis of presentation**

These unaudited interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s December 31, 2016 annual financial statements. Management advises readers of these unaudited interim financial statements to review the audited financial statements and accompanying notes as at December 31, 2016 in conjunction with the review of these statements.

### **2.3 Future accounting policies and standards adopted**

#### **Future accounting policies**

At the date of authorization of these financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted these standards, amendments and interpretations. However, the Company is currently assessing what impact the application of these standards or amendments will have on the financial statements of the Company.

- In July 2014 the IASB issued the final amendments to IFRS 9, *Financial Instruments* (“IFRS 9”) which provides guidance on the classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting. The Classification and measurement portion of the standard determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis. The amended IFRS 9 introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. In addition, the amended IFRS 9 includes a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.
- IFRS 16 *Leases* (“IFRS 16”), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and nonlease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12-months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15.



## **Mistango River Resources Inc.**

(An Exploration Stage Enterprise)

### **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2017 AND 2016**

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## **2. BASIS OF PREPARATION** *(continued)*

### **2.3 Future accounting policies and standards adopted** *(continued)*

#### **Standards adopted**

At January 1, 2017, the Company adopted the following standards/amendments for which there was no impact on the Company's financial statements:

- IFRS 15 *Revenue from Contracts with Customers* - IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), was issued in May 2014 and will replace IAS 11, "Construction Contracts," IAS 18, "Revenue Recognition," IFRIC 13, "Customer Loyalty Programmes," IFRIC 15, "Agreements for the Construction of Real Estate," IFRIC 18, "Transfers of Assets from Customers," and SIC-31, "Revenue – Barter Transactions Involving Advertising Services." IFRS 15 provides a single, principle-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17 and financial instruments and other contractual rights or obligations within the scope of IFRS 9 "Financial Instruments," IFRS 10, "Consolidated Financial Statements" and IFRS 11, "Joint Arrangements." In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2017; earlier adoption is permitted.

### **2.4 Use of management estimates, judgments and measurement uncertainty**

The preparation of these financial statements using accounting policies consistent with IFRS requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to valuation of deferred tax amounts and the calculation of share-based payments and warrants. Significant estimates and judgments made by management in the preparation of these financial statements are outlined below:

#### ***Going concern assumption***

Going concern presentation of the financial statements assumes 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 as they come due.

#### ***Measurement of financial instruments under Level 1 of the fair value hierarchy***

Management is also required to make judgments on whether marketable securities have sufficient trading volume and reasonable bid-ask spread to determine if they are active enough to be measured at Level 1 of the fair value hierarchy or if other levels are more appropriate.

#### ***Calculation of share based payments and warrants***

The Black-Scholes option pricing model is used to determine the fair value for the share based payments and warrants and utilizes subjective assumptions such as expected price volatility and expected life of the option or warrant. Discrepancies in these input assumptions can significantly affect the fair value estimate.

## **Mistango River Resources Inc.**

(An Exploration Stage Enterprise)

### **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2017 AND 2016**

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## **2. BASIS OF PREPARATION** *(continued)*

### **2.4 Use of management estimates, judgments and measurement uncertainty** *(continued)*

#### ***Income taxes***

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change and interpretation. As such, income taxes are subject to measurement uncertainty. The Company follows the liability method for calculating deferred taxes. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differs significantly from estimates, the ability of the Company to realize the deferred tax assets and liabilities recorded at the statement of financial position date could be impacted. Additionally, changes in tax laws could limit the ability of the Company to obtain tax deductions in the future.

#### ***Decommissioning provisions***

These are made based on the estimated settlement amounts. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed quarterly and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions on a quarterly basis. Actual rehabilitation costs will ultimately depend on actual future settlement amount for the rehabilitation costs which will reflect the market condition at the time that the rehabilitation costs are actually incurred. The final cost of the currently recognized rehabilitation provisions may be higher or lower than currently provided for.

## **3. CAPITAL MANAGEMENT**

The Company's objectives in managing its capital are: to maintain adequate levels of funding to support its expenditures arising from the Company's investments; to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its properties; to maintain a flexible capital structure for its projects for the benefit of its stakeholders; to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company considers its capital to be equity, which is comprised of share capital, reserve accounts, accumulated deficit and accumulated other comprehensive income, which as at March 31, 2017 totaled \$328,286 (December 31, 2016 – \$405,986).

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company. The board of directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. The Company will continue to assess its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

The Company expects its capital resources will be sufficient to carry out its exploration plans and operations through its current operating period. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three month ended March 31, 2017. The Company is not subject to externally imposed capital requirements.

## Mistango River Resources Inc.

(An Exploration Stage Enterprise)

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2017 AND 2016

#### 4. CASH

The cash balance at March 31, 2017, contains cash on deposit with major Canadian banks of \$614,701 (December 31, 2016 - \$689,013).

#### 5. TRADE AND OTHER RECEIVABLES

The Company's trade and other receivables consist solely of harmonized sales tax ("HST") receivable due from government taxation authorities. These are broken down as follows:

As at,	March 31, 2017	December 31, 2016
HST receivable	\$ 5,095	\$ 5,356
<b>Total trade and other receivables</b>	<b>\$ 5,095</b>	<b>\$ 5,356</b>

At March 31, 2017, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 15.

The Company holds no collateral for any receivable amounts outstanding as March 31, 2017.

#### 6. PROMISSORY NOTE RECEIVABLE

On December 17, 2013, the Company entered into a promissory note receivable (the "Note") whereby it advanced RJK Explorations Inc. ("RJK") a Company traded on the TSX-V \$50,000 in return for a Note in the same amount. This Note bears interest at 5% per annum and originally matured on December 17, 2014. On December 17, 2014, 2015 and 2016, the Company rolled over the accrued interest and the principle into a new promissory note receivable of \$57,881 under the same terms maturing on December 17, 2017. The balances outstanding on the Note are as follows:

As at,	March 31, 2017	December 31, 2016
Promissory note receivable	\$ 58,000	\$ 58,000
Write down of promissory note receivable	(58,000)	(58,000)
<b>Total promissory note receivable</b>	<b>\$ -</b>	<b>\$ -</b>

During the year ended December 31, 2015, the Company recorded a write down of the promissory note receivable as it does not expect to receive these funds in the near future if at all. The Company holds no collateral for this Note outstanding as at March 31, 2017.

#### 7. INVESTMENTS

As at March 31, 2017, Investments include 83,512 (December 31, 2016 – 83,512) shares of RJK and 23 (December 31, 2016 - 23) shares of Strategic Resources Inc. ("SRI"), publicly-traded Canadian companies listed on the Toronto stock exchange Venture ("TSXV") adjusted for any share consolidations. As at March 31, 2017, these available-for-sale investments have been measured at their fair value, as determined by the closing bid price of the securities on March 31, 2017 of \$14,201 (December 31, 2016 - \$7,940). The impact to the financial statements for the the three month period ended March 31, 2017 for this revaluation to market value resulted in an increase of \$6,261 (2016 – \$Nil) to the value of the investments with a corresponding decrease in accumulated other comprehensive loss of \$3,754 (2016 – \$Nil).

## Mistango River Resources Inc.

(An Exploration Stage Enterprise)

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2017 AND 2016

#### 8. PROPERTY, PLANT AND EQUIPMENT

	Exploration equipment	Office furniture	Total
<b>Cost</b>			
As at December 31, 2015 and 2016 and March 31, 2017	\$ 193,248	\$ 36,776	\$ 230,024
<b>Accumulated depreciation</b>			
As at December 31, 2015	\$ 81,818	\$ 35,044	\$ 116,862
Depreciation	22,286	346	22,632
As at December 31, 2016	\$ 104,104	\$ 35,390	\$ 139,494
Depreciation	4,457	69	4,526
As at March 31, 2017	\$ 108,561	\$ 35,459	\$ 144,020
<b>Net book value</b>			
As at December 31, 2016	\$ 89,144	\$ 1,386	\$ 90,530
As at March 31, 2017	\$ 84,687	\$ 1,317	\$ 86,004

#### 9. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade and other payables:

As at,	March 31, 2017	December 31, 2016
Less than 1 month and accruals	\$ 135,783	\$ 130,921
Over 3 months	255,932	255,932
<b>Total trade and other payables</b>	<b>\$ 391,715</b>	<b>\$ 386,853</b>

#### 10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly. Compensation awarded to key management during the three month periods ended March 31, 2017 and 2016 included:

	March 31, 2017	March 31, 2016
<b>Balances:</b>		
Short-term employee benefits	\$ 57,000	\$ 47,000
Total compensation paid to key management	\$ 57,000	\$ 47,000

Certain corporate entities and consultants that are related to the Company's officers and directors or persons holding more than 10% of the issued and outstanding shares of the Company provide consulting and other services to Mistango. Management believes that all transactions were conducted in the normal course of operations and are measured at the exchange amounts, which is the amount of consideration established and agreed to by the related parties and are as follows:

During the three month period ended March 31, 2017, the Company was charged \$6,000 (2016 - \$6,000) for administrative costs are comprised of rent paid to a company controlled by the President of the Company (See Note 14 - Commitments and Contractual Obligations).

## Mistango River Resources Inc.

(An Exploration Stage Enterprise)

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2017 AND 2016

#### 10. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT *(continued)*

Trade and other payables at March 31, 2017 includes \$113,000 (December 31, 2016 - \$113,000) owing to officers, directors and companies controlled by officers and directors.

#### 11. SHARE CAPITAL

##### (a) Common shares

Mistango's authorized share capital consists of an unlimited number of Class A Voting Common Shares, and an unlimited number of non-voting, redeemable Class B Preferred Shares, Series A. This series is redeemable by the Company, in whole or in part, at the rate of \$1,000 per Series A share. The holders of the Series A shares are not entitled to dividends.

The issued Class A Voting Common Share capital is summarized as follows:

	Number of Shares	Amount
<b>Balance, December 31, 2015 and 2016 and March 31, 2017</b>	<b>38,073,481</b>	<b>\$ 21,061,066</b>

##### (b) Options

The Company has a stock option plan (the "Plan") under which the directors of the Company may grant options to acquire common shares of the Company to directors and officers, employees, and consultants of the Company. The maximum aggregate number of common shares under options any time under the Plan cannot exceed 10% of the issued shares. As at March 31, 2017, the Company had 1,572,348 (December 31, 2016 - 1,572,348) options available for issuance under the Plan.

The options outstanding to purchase common shares are as follows:

	March 31, 2017		December 31, 2016	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning and end of period/year	2,235,000	\$ 0.10	2,235,000	\$ 0.10
Exercisable at beginning and end of period/year	2,235,000	\$ 0.10	2,235,000	\$ 0.10

The following summarizes information on the stock options outstanding at March 31, 2017:

Range of Exercise Prices (\$)	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price (\$)
0.10	2,235,000	1.52	0.10

## Mistango River Resources Inc.

(An Exploration Stage Enterprise)

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2017 AND 2016

#### 12. RESERVES

##### (a) Share based payments

Reserve for share based payments is comprised of the following:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Balance, beginning of the period/year	\$ 3,911,594	\$ 3,911,594
Balance, end of period/year	<u>\$ 3,911,594</u>	<u>\$ 3,911,594</u>

##### (b) Warrants

Reserve for share based payments is comprised of the following:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>
Balance, beginning of the period/year	\$ 800,000	\$ 800,000
Balance, end of period/year	<u>\$ 800,000</u>	<u>\$ 800,000</u>

There are no outstanding warrants at March 31, 2017 and December 31, 2016.

#### 13. MINERAL PROPERTIES AND EXPLORATION AND EVALUATION EXPENDITURES

The evaluation and exploration expenses for the Company are broken down as follows:

	<u>Three month period ended</u>		<u>Cumulative</u>
	<u>March 31,</u>		<u>to date *</u>
	<u>2017</u>	<u>2016</u>	
Baldwin, Ontario	\$ 957	\$ 948	\$ 601,336
Casa Berardi, Quebec	-	-	-
Goldie, Ontario	-	-	513,053
Kirkland West, Ontario	1,208	1,208	261,530
Omega Property, Ontario	29,736	855	5,813,376
Sackville, Ontario	-	119	888,130
General and other	54	51	113,560
<b>Exploration and evaluation expenditures</b>	<b>\$ 31,955</b>	<b>\$ 3,181</b>	<b>\$ 8,190,985</b>

\* Only properties currently under exploration are included in this figure.

During the year ended December 31, 2016, the Company sold its Casa Berardi claims located in Western Quebec to Galway Metals Inc. (TSX-V: GWM) ("Galway") for cash consideration of \$700,000. In addition, the Company retained a transferable 1% net smelter royalty ("NSR") on portions of three claims that comprised the former mining lease, which host the Main Zone and part of the Central Zone. The NSR may be purchased at any time by Galway for \$1,000,000.

#### 14. COMMITMENTS AND CONTRACTUAL OBLIGATIONS

The Company's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in each of the jurisdictions in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement.

## **Mistango River Resources Inc.**

(An Exploration Stage Enterprise)

### **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2017 AND 2016**

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#### **14. COMMITMENTS AND CONTRACTUAL OBLIGATIONS**

This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees. The Company has not determined and is not aware whether any provision for such costs is required and is unable to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

The Company may become subject to tax audits of the flow-through expenditures renounced to investors; however, the Company believes that all Canadian Exploration Expenditures were effected and renounced in compliance with the prescribed regulations of the *Income Tax Act (Canada)*.

During the year ended December 31, 2016, Mistango signed a one-year lease extension on the Kirkland Lake premises. Pursuant to the terms of the renewed lease agreement, the Company is committed to paying approximately \$22,245 per year, to a company owned by the President of Mistango.

#### **15. FINANCIAL INSTRUMENTS**

##### *Fair Value Hierarchy*

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

*Level 1* - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

*Level 2* - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

*Level 3* - valuation techniques using inputs for the asset or liability that are not based on observable market data.

##### *Fair value*

The Company's financial instruments as at March 31, 2017 include cash, trade and other receivables, promissory note receivable, investments, and trade and other payables. The Company has designated its cash as FVTPL, which are measured at fair value. Cash is determined based on transaction values and are categorized as Level 1 measurement. The Company has designated its investments as available-for-sale, which are measured at fair value and is determined based on transaction value and is categorized as Level 1 measurement. Fair value of trade and other receivables, promissory note receivable and trade and other payables are determined from transaction values which were derived from observable market inputs. Fair values of these financial instruments are based on Level 2 measurements. The Company records its financial instruments at their carrying amounts which approximates fair value, unless otherwise disclosed in the financial statements. The carrying amounts approximate fair values due to the short-term maturities of these financial instruments.

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

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### **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS (CDN\$) FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2017 AND 2016**

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#### **15. FINANCIAL INSTRUMENTS** *(continued)*

##### *Interest-rate risk*

The Company has cash and cash equivalents balances bearing fixed interest rates and no interest bearing debt. The Company's current policy is to invest excess cash in investment-grade short term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

##### *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations.

The Company's credit risk is primarily attributable to cash and cash equivalents, receivables and promissory note receivable included in current assets. The Company has no material concentration of credit risk arising from operations. Cash and cash equivalents consist of bank deposits and short-term guaranteed investment certificates, which have been invested in a Canadian chartered bank, from which management believes the risk of loss is remote. As at March 31, 2017, the Company's receivables primarily consist of amounts due from the Canadian government. The Company's receivables are normally collected within a 60-90 day period. The Company has not experienced any significant collection issues to March 31, 2017. The Company is exposed to credit risk with regards to debtors refusing payment and the government denying the Company claims filed.

The Company's maximum exposure to credit risk as at March 31, 2017 is the carrying value of cash and cash equivalents and trade and other receivables.

##### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2017, the Company had current assets of \$619,796 (December 31, 2016 - \$694,369) to settle current liabilities of \$391,715 (December 31, 2016 - \$386,853). The ability of the Company to continue to pursue its exploration activities and continue as a going concern is dependent on its ability to secure additional equity or other financing. All of the Company's financial liabilities (other than long-term debt) have contractual maturities of less than 30 days and are subject to normal trade terms. As at March 31, 2017, the Company had working capital of \$228,081 (December 31, 2016 - \$307,516).

##### *Price risk*

The Company holds common shares of companies traded on the TSXV. The Company has classified these investments as available-for-sale and such common shares are subject to stock market volatility. The value of this financial instrument fluctuates on a daily basis due to external market factors that are not within the control of the Company. The Company monitors the trading value of these common shares in order to ensure that, if in the best interest of the Company, sale of the shares is made under favourable conditions

#### **Sensitivity analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one year period:

- i. The Company's investments are subject to fair value fluctuations. As at March 31, 2017, if the fair value of the investments had decreased/increased by 10% with all other variables held constant, net comprehensive loss for the three month period ended March 31, 2017 would have been approximately \$1,000 (2016 - \$Nil) higher/lower.