AVARONE METALS INC.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

Years ended July 31, 2017 and 2016

(Expressed in Canadian Dollars)

To the Shareholders of Avarone Metals Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial statements. The Audit Committee has the responsibility of meeting with management, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors.

We draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Dale Matheson Carr-Hilton LaBonte LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

November 28, 2017

"Marc Levy" *"Janet Francis"*

Marc Levy (CEO) **Janet Francis (Director))**

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Avarone Metals Inc.

We have audited the accompanying consolidated financial statements of Avarone Metals Inc., which comprise the consolidated statement of financial position as at July 31, 2017 and the consolidated statements of comprehensive loss, consolidated statement of changes in shareholders' 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 consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated 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 consoliated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Avarone Metals Inc. as at July 31, 2017, and its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Avarone Metals Inc.'s ability to continue as a going concern.

Other Matter

The consolidated financial statements of Avarone Metals Inc. for the year ended July 31, 2016 were audited by another auditor who expressed an unqualified opinion on those statements on November 28, 2016.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
November 28, 2017

AVARONE METALS INC.

(An Exploration Stage Company)

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	July 31, 2017	July 31, 2016
	$	$
ASSETS		
Current		
Cash	33,025	67,908
Accounts receivable	6,590	17,369
Prepaid expenses	750	1,300
	40,365	86,577
Deposit (note 4)	21,242	21,242
Equipment (note 5)	2,996	3,745
	64,603	111,564
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 7)	190,745	91,434
Note payable (notes 8 and 12)	170,100	170,100
Loans payable (note 9)	93,500	-
	454,345	261,534
SHAREHOLDERS' DEFICIENCY		
Share capital (note 10)	14,357,567	14,305,067
Share subscriptions (note 10)	15,300	-
Reserves (note 10)	719,855	1,175,859
Deficit	(15,482,464)	(15,630,896)
	(389,742)	(149,970)
	64,603	111,564

Nature of operations and going concern (note 1)

Commitment (note 13)

On behalf of the Board:

"Marc Levy" Director "Janet Francis" Director

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

AVARONE METALS INC.

(An Exploration Stage Company)

Consolidated Statements of Comprehensive Loss

(Expressed in Canadian dollars)

Years ended July 31,

	2017	2016
	$	$
Expenses:		
Exploration and evaluation (note 6)	45,511	541,870
General and administrative		
Depreciation (note 5)	749	1,028
Management fees (note 12)	90,044	77,400
Office costs (note 12)	6,385	48,116
Professional fees (note 12)	40,627	24,971
Consulting fees	-	38,138
Regulatory, transfer agent, and shareholder information	14,750	147,216
Share-based payments (note 10)	26,030	532,043
Travel, promotion and shareholder communication	1,177	41,572
Wages and benefits (note 12)	56,943	69,435
Rent (note 12)	29,904	(1,829)
	312,120	1,519,960
Loss before other items	(312,120)	(1,519,960)
Other items:		
Foreign exchange loss	-	(69)
Interest income	-	32
Finance and other costs (notes 9 and 11)	(21,482)	(254)
Impairment of equipment (note 5)	-	(215)
Write off of uncollectible expenses due from related party (note 12)	-	(41,331)
	(21,482)	(41,837)
Net loss and comprehensive loss for the year	(333,602)	(1,561,797)
Loss per common share, basic and diluted	(0.00)	(0.02)
Weighted average number of common shares outstanding, basic and diluted	82,283,248	73,180,269

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

AVARONE METALS INC.

(An Exploration Stage Company)

Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian dollars)

Years ended July 31, 2017 and 2016

	Notes	Share capital: Common shares	Share capital: Amount	Share subscriptions	Reserves: Stock options and warrants	Deficit	Total shareholders' deficiency
		#	$		$	$	$
Balance as at July 31, 2015		66,244,995	13,479,460	-	715,302	(14,138,803)	55,959
Private placement	10	1,750,000	140,000	-	-	-	140,000
Share issue costs	10	-	(300)	-	-	-	(300)
Share issue pursuant to option agreement	10	9,000,000	420,000	-	-	-	420,000
Share issue pursuant to exercise of options	10	50,000	2,500	-	-	-	2,500
Share issue pursuant to exercise of warrants	10	5,232,500	261,625	-	-	-	261,625
Transfer to share capital on exercise of options	10	-	1782	-	(1,782)	-	-
Share-based payments	10	-	-	-	532,043	-	532,043
Forfeited options	10	-	-	-	(69,704)	69,704	-
Loss for the year		-	-	-	-	(1,561,797)	(1,561,797)
Balance as at July 31, 2016		82,277,495	14,305,067	-	1,175,859	(15,630,896)	(149,970)
Private placement	10	2,100,000	52,500	-	-	-	52,500
Shares to be issued for loan agreement	9	-	-	15,300	-	-	15,300
Share-based payments	10	-	-	-	26,030	-	26,030
Forfeited options	10	-	-	-	(482,034)	482,034	-
Loss for the year		-	-	-	-	(333,602)	(333,602)
Balance as at July 31, 2017		84,377,495	14,357,567	15,300	719,855	(15,482,464)	(389,742)

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

AVARONE METALS INC.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Years ended July 31,

	2017	2016
	$	$
Cash provided by (used in):		
Operating activities:		
Net loss for the year	(333,602)	(1,561,797)
Items not involving cash:		
Depreciation	749	1,028
Share-based payments	26,030	532,043
Shares issued pursuant to option agreements	-	420,000
Accrued interest	6,149	-
Loan fees	15,300	-
Impairment of equipment	-	215
	(285,374)	(608,511)
Changes in working capital:		
Accounts receivable	10,779	(10,951)
Prepaid expenses	550	179
Accounts payable and accrued liabilities	93,162	49,337
	(180,883)	(569,946)
Financing activities:		
Shares issued for cash, net of issue costs	52,500	139,700
Exercise of warrants	-	261,625
Exercise of options	-	2,500
Proceeds from loans	93,500	-
	146,000	403,825
Decrease in cash during the year	(34,883)	(166,121)
Cash, beginning of the year	67,908	234,029
Cash, end of the year	33,025	67,908

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

1. Nature of Operations and Going Concern

The Company was incorporated under the laws of the Province of British Columbia on November 3, 1993. The Company's shares were listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "AVM". On January 20, 2016, the Company listed on the Canadian Securities Exchange ("Exchange" or "CSE") while simultaneously delisting from the TSX-V. The Company retained its name and symbol on the CSE as Avarone Metals Inc. (CSE-AVM).

The head office and principal address of the Company are located at Suite 610 – 700 West Pender Street, Vancouver, BC, Canada, V6C 1G8. The Company's records office and registered office address is located at Suite 700 – 1199 West Hastings Street, Vancouver, British Columbia, Canada, V6E 3T5.

The Company is in the process of exploring and evaluating resource properties and has not yet identified any these properties that contain established mineral reserves that are economically recoverable. The Company's ability to continue as a going concern is dependent upon the ability of the Company to raise additional financing in order to complete the acquisition, exploration and development of resource properties, the discovery of economically recoverable reserves and upon future profitable production or proceeds from disposition of the Company's resource properties. As a resource company in the exploration stage, the ability of the Company to complete its acquisition, exploration and development will be affected principally by its ability to raise adequate amounts of capital through equity financings, debt financings, joint venturing of projects and other means.

These consolidated financial statements have been prepared using accounting policies applicable to a going concern which contemplate the realization of assets and settlement of liabilities in the normal course of business. At July 31, 2017, the Company had not yet achieved profitable operations, had accumulated losses of $15,567,443 (2016 - $15,630,896), a working capital deficit of $413,980 (2016 - $174,957) and expects to incur further losses in the development of its business. The Company will be required to raise additional capital in order to fund future exploration and evaluation activity and meet its working capital requirements. While the Company has been successful in the past, there is no assurance that it will be able to obtain adequate financing or that such financing will be available on acceptable terms. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and development activities. These material uncertainties may cast significant doubt on the entity's ability to continue as a going concern.

These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments other than the normal course of operations, and at amounts different from those in the accompanying consolidated financial statements.

2. Significant Accounting Policies

The consolidated financial statements were authorized for issue on November 28, 2017 by the Directors of the Company. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of Presentation and Consolidation

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

The consolidated financial statements include the accounts of the Company and its wholly-owned inactive Mexican subsidiary, Promotora Minera Dialex S.A. de C.V. ("Dialex"). All intercompany balances and transactions have been eliminated on consolidation.

Certain comparative figures have been reclassified to conform to the current year's presentation.

2. Significant Accounting Policies – (continued)

(b) Use of Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingent liabilities as at the date of the consolidated financial statements, and the reported amount of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

Going Concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The assessment of the Company's ability to source future operations and continue as a going concern involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

If the going concern assumptions were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the statement of financial position classifications use.

The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are as follows:

Share-based Payments

The Company has an equity-settled share-based scheme for directors, officers, employees and consultants. Services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of the grant, excluding the impact of any non-market vesting conditions. The fair value of share options are estimated by using the Black-Scholess model on the date of the grant based on certain assumptions. Those assumptions are described in Note 10 and include, among others, expected volatility, expected life of the options and number of options expected to vest. Where vesting conditions exist for share options, the Board reviews progress against those vesting conditions annually and reviews the estimated date of the financial close of project which will impact the financial statements. In the event that milestone conditions are not met, it is anticipated that certain options will lapse.

Taxes

Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable income realized, including the usage of tax planning strategies.

(c) Functional and Presentation of Foreign Currency

The financial statements are presented in Canadian dollars unless otherwise noted. The presentation currency and functional currency of the Company and its subsidiary is the Canadian dollar.

2. Significant Accounting Policies – (continued)

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash balances and highly liquid investments which are readily convertible into cash and that are subject to an insignificant risk of changes in value. The Company's cash and cash equivalents are invested with major financial institutions in business and savings accounts which are readily available on demand by the Company. For the years presented, the Company is only holding cash.

(e) Equipment

Equipment is carried at cost less accumulated depreciation and accumulated impairment . Depreciation is determined at rates which will reduce original cost to estimated residual value over the expected useful life of each asset. The annual rates used to compute depreciation are as follows:

Computer hardware	-	30% declining balance
Office equipment	-	10 to 20% declining balance

(f) Exploration and Evaluation Expenditures

Exploration and evaluation activity begins when the Company obtains legal rights to explore a specific area and involves the search for mineral reserves, the determination of technical feasibility and the assessment of commercial viability of an identified mineral resource. Expenditures incurred in the exploration and evaluation phase include the cost of acquiring interests in mineral rights, licenses and properties and the costs of the Company's exploration activities, such as researching and analyzing existing exploration data, gathering data through geological studies, exploratory drilling, trenching, sampling, and certain feasibility studies.

Exploration and evaluation expenditures incurred prior to the determination of commercially viable mineral resources, the feasibility of mining operations and a positive development decision are expensed as incurred. Mineral property acquisition costs and development expenditures incurred subsequent to such a determination are capitalized and amortized over the estimated life of the property following the commencement of commercial production, or are written off if the property is sold, allowed to lapse or abandoned or when an impairment is determined to have occurred.

(g) Provisions

Decommissioning Obligations

A liability for a decommissioning obligation, such as site reclamation costs, is recorded when a legal or constructive obligation exists and is recognized in the period in which it is incurred. The Company records the estimated present value of future cash flows associated with site reclamation as a liability when the liability is incurred and increases the carrying value of the related assets for the same amount. Subsequently, these capitalized decommissioning costs will be depreciated over the life of the related assets. The liability is accreted to reflect the passage of time and adjusted to reflect changes in the timing and amount of estimated future cash flows.

As at July 31, 2017 and 2016, the Company has determined that it does not have any decommissioning obligations as the disturbance to date is minimal.

Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

2. Significant Accounting Policies – (continued)

(h) Share-based Payments

Share-based payments to employees are measured at the fair value of the stock options at the grant date and amortized to expense over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded in equity as a stock option and warrant reserve. The fair value of options is determined using a Black–Scholes option pricing model which incorporates all market vesting conditions. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Amounts recorded for forfeited or expired unexercised options are reversed in the period the forfeiture occurs.

(i) Loss per Share

The Company calculates basic loss per share using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period in calculating the net dilution impact. Stock options and warrants are dilutive when the Company has income from continuing operations and the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

All potential dilutive equity instruments are anti-dilutive for the years presented.

(j) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the consolidated statements of financial position at the time the Company becomes a party to the contractual provisions. Upon initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods is dependent on the classification of the financial instrument. The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and other financial liabilities

Non-derivative Financial Assets

(i) Financial Assets and Liabilities at Fair Value through Profit and Loss

Financial assets and liabilities at fair value through profit and loss are either ‘held-for-trading’ or classified at fair value through profit or loss. Financial assets are designated at fair value through profit or loss if it eliminates or significantly reduces an accounting mismatch, the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s documented risk management or investment strategy or the financial asset contains one or more embedded derivatives. They are initially and subsequently measured at fair value and changes in fair value are recognized in profit or loss for the period.

The Company does not have any financial assets at fair value through profit and loss.

2. Significant Accounting Policies – (continued)

(j) Financial Instruments – (continued)

Non-derivative Financial Assets – (continued)

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and such assets are recognized initially at fair value and subsequently on an amortized cost basis using the effective interest method, less any impairment losses. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

The Company has designated its cash, accounts receivable and deposit as loans and receivables.

(iii) Held-to-Maturity

Held-to-maturity investments 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 initially recorded at fair value and subsequently measured at amortized cost, using the effective interest method, less any impairment losses.

The Company does not have any held-to-maturity financial assets.

(iv) Available-for-Sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any other financial asset categories. They are initially and subsequently measured at fair value and the changes in fair value, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income (loss) and presented within equity in accumulated other comprehensive income. When the financial assets are sold or an impairment write-down is required, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

The Company does not have any available-for-sale financial assets.

Non-derivative Financial Liabilities

All financial liabilities are recognized initially at fair value plus any directly attributable transaction costs on the date at which the Company becomes a party to the contractual provisions of the instrument. Subsequent to initial recognition, the Company's financial liabilities are measured at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company's non-derivative financial liabilities include its accounts payable, note payable and loans payable which are designated as other liabilities.

Impairment of Financial Assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

2. Significant Accounting Policies – (continued)

(j) Financial Instruments – (continued)

Impairment of Financial Assets - (continued)

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Losses are recognized in profit or loss with a corresponding reduction in the financial asset, or in the case of amounts receivable are reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(k) Flow-through Shares

The Company finances a portion of its exploration activities through the issuance of flow-through shares. Canadian tax legislation permits a company to issue flow-through instruments whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Common shares issued on a flow-through basis typically include a premium because of the tax benefits provided to the investor. At the time of issue, the Company estimates the proportion of the proceeds attributable to the premium and the common shares. The premium is estimated as the excess of the subscription price over the value of common shares on the date of the transaction and is recorded as a flow through premium liability. The Company recognizes a pro rata amount of the premium through the statement of comprehensive loss as other income with a corresponding reduction to the flow through premium liability as the flow-through expenditures are incurred and renounced.

When the flow-through expenditures are incurred and renounced, the Company records the tax effect as a change to profit or loss and an increase to deferred income tax liabilities. To the extent that the Company has deferred income tax assets that were not recognized in previous periods, a deferred income tax recovery is recorded to offset the liability resulting from the renunciation.

(l) Valuation of equity units issued in private placements

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

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

(m) Income Taxes

Current tax is the expected tax payable or receivable on the local taxable income or loss for the year, using local tax rates enacted or substantively enacted at the reporting date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognized for temporary differences that arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

2. Significant Accounting Policies – (continued)

(m) Income Taxes – (continued)

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. Recent Accounting Pronouncements

The following IFRS standards have been recently issued by the IASB or the IFRIC. Pronouncements that are not applicable or do not have a significant impact to the Company have been excluded herein. The Company is assessing the impact of these new standards, but does not expect them to have a significant effect on the financial statements.

IFRS 9, Financial Instruments

The IASB has issued a new standard, IFRS 9, “Financial Instruments” (“IFRS 9”), which will replace IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”). IFRS 9 will replace the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. The new standard also requires a single impairment method to be used, provides additional guidance on the classification and measurement of financial liabilities, and provides a new general hedge accounting standard.

The mandatory effective date has tentatively been set for January 1, 2018, however early adoption of the new standard is permitted. The Company currently does not intend to early adopt IFRS 9. The adoption of IFRS 9 is currently not expected to have a material impact on the financial statements as the classification and measurement of the Company’s financial instruments is not expected to change given the nature of the Company’s operations and the types of financial instruments that it currently holds.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 which replaces the detailed guidance on revenue recognition requirements that currently exists under IFRS. IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers, unless the contracts are within the scope of other IFRSs. The standard also provides a model for the measurement and recognition of gains and losses on the sale of certain non-financial assets that are not an output of the Company's ordinary activities. Additional disclosure is required under the standard, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods, and key judgments and estimates. Early application is permitted either following a full retrospective approach or a modified retrospective approach. The modified retrospective approach allows the standard to be applied to existing contracts beginning the initial period of adoption and restatements to the comparative periods are not required. The Company is required to disclose the impact by financial line item as a result of the adoption of the new standard. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 16, Leases
In January 2016, the IASB issued IfRS 16 which speicifies how an issuer will recognize, measure, present and disclsore leases. The stnadare provides a signle lessess accounting model, requiring lessees to recognize assets and liabilities for all lease unless the lease term is twelve months or less, or the underlying asset has an insignifianct value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IfRS 16 will be effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

(Expressed in Canadian Dollars)

4. Deposit

Deposit consists of a security deposit on a long term lease

5. Equipment

	Computer hardware	Office equipment	Total
	$	$	$
Costs:			
Balance, July 31, 2015, 2016 and 2017	24,343	42,314	66,657
Depreciation:			
Balance, July 31, 2015	18,076	29,335	47,411
Depreciation	92	936	1,028
Balance, July 31, 2016	18,168	30,271	48,439
Depreciation	-	749	749
Balance, July 31, 2017	18,168	31,020	49,188
Impairment:			
Balance, July 31, 2015	5,960	8,298	14,258
Impairment	215	-	215
Balance, July 31, 2016 and 2017	6,175	8.298	14,473
Net Book Value:			
July 31, 2017	-	2,996	2,996
July 31, 2016	-	3,745	3,745

During the year ended July 31, 2016, the Company wrote-off certain equipment. As a result, impairment of equipment of $215 was recognized during the year ended July 31, 2016.

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Expenditures

Expenditures incurred by the Company on its properties and expensed are summarized as follows:

	Wildnest and Phantom Lake, Saskatchewan (a)	Rushton Lake, Saskatchewan (b)	McWilliams Lake, Saskatchwan (c)	Borys Lake, Saskatchwan (d)	Moab Lake, Nevada (e)	Total
	$	$	$	$	$	$
Balance, July 31, 2015	71,687	160,000	402,633	-	-	634,320
Assays and claim costs	-	-	-	-	119,388	119,388
Geology	-	-	-	2,482	-	2,482
Common shares	-	-	-	120,000	300,000	420,000
Balance, July 31, 2016	71,687	160,000	402,633	122,482	419,388	1,176,190
Assays and claim costs	5,011	-	-	-	40,500	45,511
Termination of agreement	-	(160,000)	(402,633)	(122,482)	(459,888)	(1,221,701)
Balance, July 31, 2017	76,698	-	-	-	-	-

Exploration expenditures have been expensed as incurred in accordance with the Company's accounting policy for exploration and evaluation costs.

(a) Wildnest and Phantom Lake Properties

The Company entered into an option agreement with Ray-Dor Resources Ltd. (the "Optionor") dated November 15, 2012, as amended on October 28, 2013 and November 24, 2014, ("Agreement"), pursuant to which it has been granted an option to acquire a 100% interest in seven mineral claims known as the Wildnest and Phantom Lake gold properties located in the Flin Flon area of Manitoba and Saskatchewan (the "Claims").

Under the terms of the Agreement, the Company may earn a 100% interest by completing the following: making cash payments of $32,500 ($7,500 made) over the next four years, issuing 450,000 common shares (400,000 shares issued) of the Company over the next three years, and in accordance with the schedule below. In addition, the Company is required to completing exploration programs totalling $850,000 over a five year period. The option agreement is in default since December 2015 as required payments were not made. As at July 31, 2017, the Company has made payments of $7,500, issued 400,000 common shares, and incurred exploration expenditures of $16,515.

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Expenditures – (continued)

Date	Cash	Common shares	Exploration Expenditures
	$	#	$
Upon Exchange approval	2,500 (paid)	50,000 (issued)	-
On or before November 7, 2013	-	200,000 (issued)	-
On or before June 21, 2014	5,000 (paid)	-	-
On or before December 21, 2014	-	150,000 (issued)	
On or before December 21, 2015	10,000*	50,000*	16,515
On or before December 21, 2016	15,000**	-	50,000**
On or before December 21, 2017	-	-	150,000
On or before December 21, 2018	-	-	200,000
On or before December 21, 2019	-	-	433,485
Totals	32,500	450,000	850,000

*As at July 31, 2017, the Company had not made the $10,000 payment or issued the 50,000 common shares due on December 21, 2015, and the option agreement is in default.
** On December 21, 2016 the Company failed to make the cash payment of $15,000 or incur $50,000 of exploration expenditures as required under the option agreement for the Wildnest and Phantom Lake Properties.

The Claims are subject to a 2% net smelter royalty (NSR), of which, 50% of the NSR or 1% NSR may be acquired by the Company at any time for $500,000.

(b) Rushton Lake Gold Property

The Company entered into an option agreement dated January 8, 2014 whereby the Company has been granted an option to acquire a 100% interest in the Rushton Lake Gold Property (the “Property”) located in central Saskatchewan.

Under the terms of the agreement, the Company may earn a 100% interest in the Property by completing the following: issuing an aggregate of 4,000,000 common shares (issued), making cash payments of $300,000 over 30 months and incurring exploration expenditures of $3,500,000 over four years. The option agreement is in default since July 8, 2015 as required payments were not made.

Subsequent to July 31, 2017, the Company decided not to pursue further exploration in this property and is planning to terminate the option agreement.

(c) McWilliams Lake Gold Property

The Company entered into an option agreement dated March 25, 2014 whereby the Company has been granted an option to acquire a 100% interest in the McWilliams Lake Gold Property (the “Property”) located in Saskatchewan.

Under the terms of the agreement, the Company may earn a 100% interest in the Property by issuing an aggregate of 4,000,000 common shares (issued) and incurring exploration expenditures of $1,000,000 within four years of the signing of the agreement. In order to keep the claims in good standing an annual minimum exploration requirement on the claims must be met.

Subsequent to July 31, 2017, the Company decided not to pursue further exploration in this property and is planning to terminate the option agreement.

(Expressed in Canadian Dollars)

6. Exploration and Evaluation Expenditures – (continued)

(d) Borys Lake Property

On November 16, 2015, the Company entered into an agreement by which the Company can earn a 100% interest in the Borys Lake Lead-Zinc property, located in Saskatchewan.

Under the terms of the agreement, the Company can earn a 100% interest in the property by completing the following: the issuance of 6,000,000 common shares (issued for a fair value of $120,000) upon TSX-V approval, the payment of further cash considerations totaling $200,000 over the next three years and the completion of $1,000,000 in qualified exploration expenditures within four years from the date of approval. The Company received TSX-V approval on November 24, 2015. During the year ended July 31, 2017, the agreement was terminated.

(e) Moab Lake Property

On March 8, 2016, the Company entered into an agreement to acquire a 100% interest in the Moab Lake Lithium Project, which covers an area of 3200 acres of placer claims in the Big Smoky Valley, Nevada.

Under the terms of the agreement, the Company can earn a 100% interest in the Moab Lake Lithium Project by completing the following: issuing 3,000,000 common shares (issued for a fair value of $300,000) upon Exchange approval and paying cash considerations totaling $200,000 over the next three years: $75,000 on or before six months upon Exchange approval and $125,000 on or before 36 months upon Exchange approval. A 1% gross overriding royalty has also been granted to the vendor, which can be purchased by the Company at any time for $1,000,000.

Subsequent to July 31, 2017, the Company decided not to pursue further exploration in this property and is planning to terminate the option agreement.

7. Accounts payable and accrued liabilities

	July 31, 2017	July 31, 2016
	$	$
Accounts payable	41,166	46,890
Due to related parties (note 12)	91,875	7,875
Accrued liabilities	54,794	30,274
Other payables	2,910	6,395
	190,745	91,434

8. Note payable

	July 31, 2017	July 31, 2016
	$	$
Amounts due to related parties (Note 12)	170,100	170,100

The note payable is unsecured, due on demand and bears no interest.

(Expressed in Canadian Dollars)

9. Loans payable

	July 31, 2017	July 31, 2016
	$	$
Promissory notes	76,500	-
Demand loan	17,000	-
	93,500	-

During the year ended July 31, 2017, the Company issued two promissory notes . The first promissory note, for $60,000, was due August 8, 2017,and bears interest at 18%. If unpaid by August 8, 2017, the interest rate will increase to 24% from that date forward. Total interest accrued on the promissory note at July 31, 2017 is $5,148 and is included in accrued liabilities. As additional consideration for the loan, the Company must issue to the lender $12,000 in common shares of the Company. The shares have not been issued as at July 31, 2017. This amount has been recorded as loan fees in the consolidated statement of comprehensive loss for the year ended July 31, 2017.

The second promissory note, for $16,500, was due September 30, 2017 and bears interest at 18%. If unpaid by September 30, 2017, the interest rate will increase to 24% from that date forward. Total interest accrued on the promissory note at July 31, 2017 is $1,001 and is included in accrued liabilities. As additional consideration for the loan, the Company must issue to the lender $3,300 in common shares of the Company, The shares have not been issued as at July 31, 2017. This amount has been recorded as loan fees in the consolidated statement of comprehensive loss for the year ended July 31, 2017.

The demand loan is unsecured, non interest bearning and is due on demand.

10. Share Capital and Reserves

(a) Authorized

Unlimited number of voting common shares without par value.

(b) Issued

At July 31, 2017, there were 84,377,495 issued and fully paid common shares (2016 – 82,277,495).

(c) Share Issuances

Year Ended July 31, 2017

On July 31, 2017, the Company closed a non-brokered private placement of 2,100,000 units at $0.025 per unit for gross proceeds of $52,500. Each unit consisted of one common share and one-half common share purchase warrant. Each whole warrant is exercisable into one common share of the Company at a price of $0.05 per share for a period of 12 months. Using the residual method, no value was attributed to the warrants.

Year Ended July 31, 2016

On November 25, 2015, the Company issued 6,000,000 common shares valued at $120,000 pursuant to the Borys Lake Property option agreement,

On February 25, 2016, the Company issued 50,000 common shares valued at $2,500 pursuant to the exercise of options.

On March 1, 2016, 1,750,000 warrants at a price of $0.05 per share purchase warrant were exercised for total consideration of $87,500.

10. Share Capital and Reserves – (continued)

(c) Share Issuances (continued)

On March 8, 2016, the Company issued 3,000,000 common shares valued at $300,000 pursuant to the Moab Lake Property option agreement.

On April 12, 2016, 800,000 warrants at a price of $0.05 per share purchase warrant were exercised for total consideration of $40,000.

On April 28, 2016, 1,250,000 warrants at a price of $0.05 per share purchase warrant were exercised for total consideration of $62,500.

On May 2, 2016, 200,000 warrants at a price of $0.05 per share purchase warrant were exercised for total consideration of $10,000.

On May 5, 2016, 225,000 warrants at a price of $0.05 per share purchase warrant were exercised for total consideration of $11,250.

On June 7, 2016, 100,000 warrants at a price of $0.05 per share purchase warrant were exercised for total consideration of $5,000.

On June 21, 2016, 907,500 warrants at a price of $0.05 per share purchase warrant were exercised for total consideration of $45,375.

On July 6, 2016, the Company closed a non-brokered private placement of 1,750,000 units at $0.08 per unit for gross proceeds of $140,000. Each unit consisted of one common share and one-half common share purchase warrant. Each whole warrant will be exercisable into one common share of the Company at a price of $0.12 per share for a period of 2 years. Using the residual method, the warrants were valued at $nil. The Company incurred cash costs of $300 with respect to the private placement.

(d) Stock Options

The Company has a stock option plan under which it is authorized to grant options to directors, officers, employees and consultants for up to a maximum of 10% of the issued and outstanding common stock of the Company. The exercise price (less any discounts permitted by regulatory policies and determined by the directors at the time of grant) under each option shall be the market price of the Company's stock at the date of grant. The options have expiry dates of no later than ten years from the date of grant and vest immediately as determined by the Board of Directors or as to 25% on the date of the grant and 12.5% every three months thereafter for a total vesting period of 18 months.

Year Ended July 31, 2017

On September 19, 2016, the Company issued a total of 275,000 incentive stock options at an exercise price of $0.05 to consultants of the Company. The options are exercisable for a period of 10 years from the date of grant and have a grant date fair value of $13,744 determined by the Black-Scholes option pricing model.

On September 19, 2016, 40,000 stock options at an exercise price of $0.09 were forfeited. The fair value of the options at $3,599 was reclassified from reserves to deficit.

On December 7, 2016, the Company issued a total of 2,455,000 incentive stock options at a price of $0.05 to directors, officers, employees and consultants of the Company. The options are exercisable for a period

10. Share Capital and Reserves – (continued)

(d) Stock Options – (continued)

of 10 years from the date of grant and have a grant date fair value of $10,955 determined by the Black-Scholess option pricing model.

On December 13, 2016, 4,565,000 options ranging in price from $0.08 to $0.12 were forfeited. The fair value of the options at $478,435 was reclassified from reserves to deficit.

During the year ended July 31, 2017, the Company recognized $1,330 in share-based payment expenses for the vested options granted in prior years.

Year Ended July 31, 2016

On February 23, 2016, the Company issued a total of 150,000 incentive stock options at a price of $0.05 to consultants of the Company. The options are exercisable for a period of 10 years from the date of grant and have a fair value of $20,272 determined by the Black-Scholes option pricing model.

On February 25, 2016, the the Company issued a total of 1,775,000 incentive stock options at a price of $0.115 to consultants, directors and officers of the Company. The options are exercisable for a period of 10 years from the date of grant and have a fair value of $204,044 determined by the Black-Scholes option pricing model.

On March 3, 2016, the Company issued a total of 1,000,000 incentive stock options at a price of $0.12 to consultants of the Company. The options are exercisable for a period of 10 years from the date of grant and have a fair value of $119,953 determined by the Black-Scholes option pricing model.

On April 25, 2016, the Company issued a total of 750,000 incentive stock options at a price of $0.11 to consultants of the Company. The options are exercisable for a period of 10 years from the date of grant and have a fair value of $82,468.

On May 26, 2016, the Company issued a total of 140,000 incentive stock options at a price of $0.09 to consultants of the Company. The options are exercisable for a period of 10 years from the date of grant and have a fair value of $12,595.

On July 8, 2016, the Company issued a total of 1,325,000 incentive stock options at a price of $0.08 to consultants of the Company. The options are exercisable for a period of 10 years from the date of grant and have a fair value of $92,711.

During the year ended July 31, 2016, the fair value of 1,023,334 forfeited options of $69,704 was reclassified from reserves to deficit.

(Expressed in Canadian Dollars)

10. Share Capital and Reserves – (continued)

(d) Stock Options – (continued)

Stock option transactions for the years ended July 31, 2017 and 2016 are as follows:

	Number of Options	Weighted Average Exercise Price
	#	$
Balance, July 31, 2015	2,942,500	0.05
Exercised	(50,000)	0.05
Granted	5,140,000	0.05 – 0.12
Forfeited	(1,023,334)	0.05
Balance, July 31, 2016	7,009,166	0.10
Granted	2,730,000	0.05
Forfeited	(4,565,000)	0.11
Balance, July 31, 2017	5,174,166	0.05

Stock options outstanding and exercisable at July 31, 2017 are as follows:

Options Outstanding	Exercise Price	Expiry Date	Options Exercisable
#	$		#
190,000	0.05	May 20, 2018	190,000
100,000	0.05	February 4, 2019	100,000
100,000	0.05	February 18, 2019	100,000
177,500	0.05	October 12, 2020	177,500
162,500	0.05	April 26, 2022	162,500
100,000	0.05	January 27, 2024	100,000
1,064,166	0.05	April 25, 2025	1,064,166
125,000	0.05	February 23, 2026	125,000
425,000	0.08	July 8, 2026	425,000
275,000	0.05	September 19, 2026	275,000
2,455,000	0.05	December 7, 2026	2,455,000
5,174,166			5,174,166

The weighted average remaining contractual life of outstanding options is 7.93 years (July 31, 2016: 8.88 years).

The fair values of stock options granted were estimated using the Black-Scholess option pricing model with the following assumptions:

Years ending	July 31, 2017	July 31,2016
Risk free interest rate	0.98% - 1.59%	0.86% - 1.18%
Expected life of options	10 years	5 years
Expected dividend yield	-	-
Expected stock price volatility	144% - 223%	244%

(Expressed in Canadian Dollars)

10. Share Capital and Reserves – (continued)

(e) Warrants

Each whole warrant entitles the holder to purchase one common share of the Company.

Year Ended July 31, 2017

On July 31, 2017, 1,050,000 warrants were issued in connection with a private placement. The warrants are exercisable into common shares of the Company at a price of $0.05 per share for a period of 12 months. The warrants were valued at $nil using the residual method.

On June 16, 2017, 13,142,500 warrants expired unexercised.

Year Ended July 31, 2016

On July 6, 2016, 875,000 warrants were issued in connection with a private placement. The warrants are exercisable into common shares of the Company at a price of $0.12 per share for a period of 2 years. The warrants were valued at $nil using the residual method.

On July 28, 2016, 465,000 warrants expired unexercised.

During the year ended July 31, 2016, 5,232,500 warrants were exercised at a price of $0.05 per share.

Share purchase warrant transactions for the years ended July 31, 2017 and 2016 are as follows:

	Warrants	Expiry Date	Weighted Average Exercise Price
	#		$
Balance, July 31, 2015	18,840,000		0.05
Exercised	(5,232,500)	June 16, 2017	0.05
Expired	(465,000)	July 28, 2016	0.20
Granted	875,000	July 6, 2018	0.12
Balance, July 31, 2016	14,017,500		0.05
Expired	(13,142,500)	June 16, 2017	0.05
Granted	1,050,000	July, 31 2018	0.05
Balance, July 31, 2017	1,925,000		0.08

Warrants outstanding at July 31, 2017 are as follows:

Warrants Outstanding	Exercise Price	Expiry Date
875,000	$0.12	July 6, 2018
1,050,000	$0.05	July 31, 2018
1,925,000		

The weighted average remaining contractual life of the warrants outstanding is 0.98 years.

(Expressed in Canadian Dollars)

10. Share Capital and Reserves – (continued)

(f) Reserves

Stock options and warrants reserves represent the fair value of stock options or warrant suntil such time that the stock options and warrants are exercised, at which tiem the corresponding amount will be transferred to share capital.

(g) Share subscriptions

Share subscriptions included shares to be issued for loans payable (note 9).

11. Finance and other costs

	2017	2016
	$	$
Financing fee	-	254
Interest expense (note 9)	6,182	-
Loan fees (note 9)	15,300	-
	21,482	254

12. Related Party Transactions

(a) Related Party Transactions

The Company has been reimbursed for expenses from companies having directors and officers in common netted directly against the related expense as represented in the statement of comprehensive loss:

	2017	2016
	$	$
Office, rent, administration and wages	32,965	97,148

(b) Compensation of Key Management Personnel

The Company's key management personnel has authority and responsibility for planning, directing and controlling the activities of the Company and consists of its Directors, Officers, Chief Executive Officer and Chief Financial Officer.

	2017	2016
	$	$
Management fees	90,000	77,400
Office administration	-	23,500
Salaries and benefits	9,258	-
Share-based payments	24,618	89,090
	123,876	189,990

Share-based payments are the fair value of options granted and vested to key management personnel under the Company's stock option plan (note 10).

(Expressed in Canadian Dollars)

12. Related Party Transactions (continued)

(c) Related Party Balances

The following related party amounts were included in accounts payable and accrued liabilities and note payable:

	July 31, 2017	July 31, 2016
	$	$
A company controlled by an officer of the Company	261,975	177,975

During the year ended July 31, 2016, the Company wrote off $41,331 due from a related party having a director in common.

13. Commitment

The Company is committed to future minimum annual lease payments with respect to office leases expiring January 31, 2020, as follows:

	$
2018	62,100
2019	64,860
2020	33,120
	160,080

14. Segmented Information

The Company has one operating segment, being the exploration of resource properties and operated in one geographic segment at July 31, 2017 and 2016 with its assets located primarily in North America.

15. Financial Instruments and Risk Management

(a) Fair Value of Financial Instruments

As at July 31, 2017, the Company's financial instruments consist of cash, accounts receivable, deposit, accounts payable, note payable and loans payable. The carrying values of these financial instruments approximate their fair values because of their short term nature and/or the existence of market related interest rates on the instruments.

IFRS requires disclosures about the inputs to fair value measurements for financial assets and liabilities recorded at fair value, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of hierarchy are:

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

The Company has no financial instrument assets or liabilities recorded in the statements of financial position at July 31, 2017 and 2016 at fair value and accordingly fair value hierarchy disclosure is not required.

15. Financial Instruments and Risk Management – (continued)

(b) Financial Instruments Risk

The Company is exposed in varying degrees to a variety of financial instrument related to risks. The Board approves and monitors the risk management processes:

(i) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank and on amounts receivable. The investments are with Schedule 1 banks or equivalent, with the majority of its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. Accounts receivable consists mostly of rent due from sub-lease tenants. Management considers that credit risks related to cash are minimal and credit risks related to accounts receivable are moderate due to the potential of non-payments.

(ii) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at July 31, 2017, the Company had cash of $33,025 to settle current liabilities of $454,345.

The Company is dependent on the availability of credit from its suppliers and its ability to generate sufficient funds from equity and debt financing to meet current and future obligations. There can be no assurance that such financing will be available on terms acceptable to the Company (note 1).

(iii) Market Risk

a. Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's accounts payable and notes payable are non-interest bearing. The loans payable bears a fix interest rate. Management considered interest rate risk is minimal.

b. Commodity Price Risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company's risk relates primarily to the expected output to be produced at its resource properties described in note 6 of these financial statements of which production is not expected in the near future.

During the years ended July 31, 2017 and 2016, there were no changes to the Company's risk exposure or to the Company's policies for risk management.

(Expressed in Canadian Dollars)

16. Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' deficiency as capital. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of resource properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders.

The Company is not subject to externally imposed capital requirements.

The properties in which the Company currently has an interest in are in the exploration stage, as such, the Company does not recognize revenue from its exploration properties. The Company's historical sources of capital have consisted of the sale of equity securities and interest income. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally as needed.

There were no changes in the Company's management of capital during the year ended July 31, 2017.

17. Income Taxes

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations for the years ended July 31, 2017 and 2016.

	Year Ended July 31, 2017	Year Ended July 31, 2016
	$	$
Loss before income taxes	(333,602)	(1,561,797)
Statutory Canadian corporate tax rate	26%	26%
Expected income tax recovery	(86,737)	(406,067)
Non-deductibe items	6,768	142,417
Change in estimates	-	2,573
Share issue cost	-	(78)
Change in deferred tax asset not recognized	79,969	261,155
Total income taxes recovery	-	-

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deductible temporary differences at July 31, 2017 and 2016 are comprised of the following:

	July 31, 2017	July 31, 2016
	$	$
Non-capital loss carry forwards	5,589,968	5,357,088
Mineral property	1,540,670	1,495,159
Capital loss carryforwards	796,675	796,675
Financing costs	32,450	40,563
Property and equipment	41,312	4,018
Unrecognized deductible temporary differences	8,001,075	7,693,503

(Expressed in Canadian Dollars)

17. Income Taxes – (continued)

The Company has non capital loss carryforwards of approximately $5,589,968 (2016 - $5,357,088) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	Canada
	$
2026	541,818
2027	1,262,892
2028	783,044
2029	476,557
2030	461,849
2031	481,858
2032	275,052
2033	295,677
2034	313,201
2035	-
2036	564,645
2037	133,366
	5,589,968

In addition, the Company has available capital losses in Canada of approximately $796,675, which can be carried forward indefinitely