

**GOLDREA RESOURCES CORP.**

Interim Unaudited Condensed Consolidated Financial Statements  
January 31, 2017 and 2016

(All amounts are expressed in Canadian dollars unless otherwise specified)

## **GOLDREA RESOURCES CORPORATION.**

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# GOLDREA RESOURCES CORP.

Consolidated Interim Statements of Financial Position  
(Expressed in Canadian dollars)

|                                                          | January 31<br>2017 | July 31<br>2016 |
|----------------------------------------------------------|--------------------|-----------------|
| <b>Assets</b>                                            |                    |                 |
| Current assets:                                          |                    |                 |
| Cash and cash equivalents (note 5)                       | \$24,378           | \$54,959        |
| Accounts receivable                                      | 5,755              | 2,197           |
| Prepaid expenses and advances                            | 76,890             | 25,000          |
|                                                          | <b>107,023</b>     | 82,156          |
| Due from related parties (note 8)                        | -                  | 2,556           |
| Reclamation deposits                                     | 56,000             | 56,000          |
| Equipment (note 9)                                       | 5,462              | 5,370           |
| Exploration and evaluation assets (note 10 and Schedule) | 53,389             | 2               |
|                                                          | <b>114,851</b>     | 63,928          |
|                                                          | <b>\$ 221,874</b>  | \$ 146,084      |
| <b>Liabilities and Equity</b>                            |                    |                 |
| Current liabilities:                                     |                    |                 |
| Accounts payable and accrued liabilities                 | \$35,412           | \$41,428        |
| Due to related parties (note 8)                          | 9,644              | -               |
|                                                          | <b>45,056</b>      | 41,428          |
| Equity:                                                  |                    |                 |
| Share capital (note 12 (a))                              | 29,331,297         | 28,882,173      |
| Subscription receivable                                  | (19,200)           | 219,300         |
| Reserves (note 12)                                       | 2,074,181          | 1,924,496       |
| Accumulated other comprehensive income (note 6 and 16)   | -                  | -               |
| Deficit                                                  | (31,209,460)       | (30,921,313)    |
| Total equity                                             | <b>176,818</b>     | 104,656         |
|                                                          | <b>\$221,874</b>   | \$146,084       |
| Going concern (note 1)                                   |                    |                 |

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

**"Larry Reaugh"**

Director

**"Jim Elbert"**

Director

# GOLDREA RESOURCES CORP.

Consolidated Interim Statements of Loss and Comprehensive Loss  
(Expressed in Canadian dollars)

|                                                  | Three months ended<br>January 31, |                 | Six months ended January<br>31, |                  |
|--------------------------------------------------|-----------------------------------|-----------------|---------------------------------|------------------|
|                                                  | 2017                              | 2016            | 2017                            | 2016             |
| <b>Expenses:</b>                                 |                                   |                 |                                 |                  |
| Depreciation                                     | \$ 338                            | 446             | \$ 676                          | 892              |
| Consulting fees                                  | 46,150                            | 25,659          | 101,300                         | 67,907           |
| Office and administration                        | 893                               | 1,821           | 4,085                           | 27,238           |
| Professional fees                                | 7,379                             | -               | 7,379                           | 0                |
| Rent                                             | 3,200                             | -               | 4,800                           | 1,565            |
| Shareholder communication                        | -                                 | -               | 11,650                          | -                |
| Transfer agent and filing fees                   | 4,872                             | 1,500           | 9,408                           | 2,500            |
| Stock based compensation                         | -                                 | -               | 149,685                         | -                |
| Loss before other items                          | 62,832                            | 29,426          | 288,983                         | 100,102          |
| <b>Other items:</b>                              |                                   |                 |                                 |                  |
| Investment income                                | 3                                 | 75              | 112                             | 139              |
| Foreign exchange (loss) gain                     | -                                 | (285)           | 725                             | (1,920)          |
|                                                  | 3                                 | (210)           | 837                             | (1,781)          |
| <b>Net loss for the year</b>                     | <b>\$(62,829)</b>                 | <b>(29,636)</b> | <b>\$(288,146)</b>              | <b>(101,883)</b> |
| Loss per share - basic and diluted               | <b>\$(0.00)</b>                   | <b>(0.01)</b>   | <b>\$(0.01)</b>                 | <b>(0.01)</b>    |
| Weighted average number of shares<br>outstanding | 20,142,860                        | 20,142,860      | 11,329,925                      | 11,329,925       |

See accompanying notes to consolidated financial statements.

# GOLDREA RESOURCES CORP.

Consolidated Interim Statements of Changes in Equity  
(Expressed in Canadian dollars)

Six months ended January 31, 2017 and 2016

|                                          | Share capital       |                   | Reserves         | Share<br>Subscription<br>Received | Accumulated<br>comprehensive<br>income | Deficit             | Total<br>equity |
|------------------------------------------|---------------------|-------------------|------------------|-----------------------------------|----------------------------------------|---------------------|-----------------|
|                                          | Number of<br>shares | Share<br>Capital  |                  |                                   |                                        |                     |                 |
|                                          | #                   | \$                | \$               | \$                                | \$                                     | \$                  | \$              |
| Balance July 31, 2015                    | 11,329,925          | 28,660,573        | 1,865,868        | 15,000                            | (19,825)                               | (30,490,551)        | 31,065          |
| Share subscription received              |                     |                   |                  | 22,040                            |                                        |                     | 22,040          |
| Loss and comprehensive loss for the year | -                   | -                 | -                | -                                 | -                                      | (101,883)           | (101,883)       |
| Balance January 31, 2016                 | 11,329,925          | 28,660,573        | 1,865,868        | 37,040                            | (19,825)                               | (30,592,434)        | (48,778)        |
| Issued for mineral property              | 2,000,000           | 200,000           |                  |                                   |                                        |                     | 200,000         |
| Private placement                        | 720,000             | 21,600            | 14,400           | (15,000)                          |                                        |                     | 21,000          |
| Share subscription received              |                     |                   |                  | 197,260                           |                                        |                     | 197,260         |
| Share based compensation                 |                     |                   | 44,228           |                                   |                                        |                     | 44,228          |
| Net Loss                                 |                     |                   |                  |                                   |                                        | (328,879)           | (328,879)       |
| Other comprehensive income               | -                   | -                 | -                | -                                 | 19,825                                 | -                   | 19,825          |
| Balance July 31, 2016                    | 14,049,925          | 28,882,173        | 1,924,496        | 219,300                           | -                                      | (30,921,313)        | 104,656         |
| Subscription receivable                  |                     |                   |                  | 191,424                           |                                        |                     | 191,424         |
| Private placement                        | 7,575,000           | 449,124           |                  | (429,924)                         |                                        |                     | 19,200          |
| Share based compensation                 |                     |                   | 149,685          |                                   |                                        |                     | 149,685         |
| Loss and comprehensive loss for the year | -                   | -                 | -                | -                                 | -                                      | (288,146)           | (288,146)       |
| <b>Balance January 31, 2017</b>          | <b>21,624,925</b>   | <b>29,331,297</b> | <b>2,074,181</b> | <b>19,200</b>                     | <b>-</b>                               | <b>(31,209,459)</b> | <b>176,818</b>  |

See accompanying notes to consolidated financial statements.

# GOLDREA RESOURCES CORP.

Consolidated Interim Statements of Cash Flows  
(Expressed in Canadian dollars)

Three and six months ended January 31, 2017 and 2016

|                                                       | Three months ended<br>January 31, |          |             |             |
|-------------------------------------------------------|-----------------------------------|----------|-------------|-------------|
|                                                       | 2017                              | 2016     | 2017        | 2016        |
| <b>Cash Flow from Operating Activities:</b>           |                                   |          |             |             |
| Net loss for the year                                 | (62,829)                          | (29,636) | \$(288,146) | \$(101,883) |
| Items not affecting cash:                             |                                   |          |             |             |
| Amortization                                          | 338                               | 446      | 676         | 892         |
| Stock based compensation                              |                                   |          | 149,685     | -           |
|                                                       |                                   |          | -           |             |
|                                                       | (62,491)                          | (29,190) | (137,785)   | (100,991)   |
| Changes in non-cash working capital:                  |                                   |          |             |             |
| Amounts receivable                                    | (1,773)                           | (91)     | (3,558)     | 1,033       |
| Pre-paid expenses                                     | -                                 | -        | (51,890)    | -           |
| Due from related parties                              | 12,500                            | -        | 12,200      | 4,000       |
| Accounts payable and accrued liabilities              | 996                               | (8,824)  | (6,017)     | (10,323)    |
| Due to related parties                                | -                                 | 19,500   | -           | 51,000      |
| Cash used in operating activities                     | (50,768)                          | (18,605) | (187,050)   | (55,281)    |
| <b>Cash Flow from Financing activities:</b>           |                                   |          |             |             |
| Shares issued for cash                                | -                                 | -        | -           | -           |
| Share subscription received                           | -                                 | 16,000   | 210,624     | 22,040      |
| Cash provided by financing activities                 | -                                 | 16,000   | 210,624     | 22,040      |
| <b>Cash Flow from Investing activities:</b>           |                                   |          |             |             |
| Mineral property and exploration and evaluation costs | (627)                             | -        | (53,387)    | -           |
| Equipment                                             | -                                 | -        | (768)       | -           |
| Cash used in investing activities                     | (627)                             | -        | (54,155)    | -           |
| Decrease in cash and cash equivalents                 | (51,396)                          | (2,605)  | (30,581)    | (33,241)    |
| Cash and cash equivalents, beginning of period        | 75,774                            | 4,013    | 54,959      | 34,649      |
| Cash and cash equivalents, end of period              | \$ 24,378                         | \$ 1,408 | \$ 24,378   | \$ 1,408    |
| Supplementary information:                            |                                   |          |             |             |
| Non-cash investing and financing activities:          |                                   |          |             |             |
| Amortization recorded in mineral properties           |                                   |          | \$-         | \$-         |

# GOLDREA RESOURCES CORP.

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

For the Three and Six Months ended January 31, 2017 and 2016

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## 1. NATURE OF OPERATIONS AND GOING CONCERN:

Goldrea Resources Corp. (the Company) was incorporated under the British Columbia Business Corporations Act on March 2, 1981. The Company is involved in the exploration and development of mineral properties located in North America and is currently in the exploration stage of its exploration and evaluation assets. The address of the Company's corporate and legal office is 543 Granville Street, Vancouver, British Columbia, Canada V6C 1X8. The Company's common shares are traded on the TSX Venture Exchange under the symbol "GOR".

These financial statements have been prepared assuming the Company will continue on a going concern basis. The Company has incurred losses since inception. As at January 31, 2017, the Company had a working capital of \$61,967.

The Company has to raise additional financing to be able to meet its obligations for the next twelve months. The ability of the Company to continue as a going concern depends upon its ability to raise the additional fund to complete the processing plant construction in Peru (note 15) and achieve profitable operations. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms favorable to the Company. There is material uncertainty that may cast significant doubt upon the ability of the Company to continue as a going concern.

There can be no assurance that the Company will be able to continue to raise funds, in which case, the Company may be unable to meet its obligations. The 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, contingent obligations and commitments in other than the normal course of business and at amounts different from those in these consolidated financial statements.

## 2. Basis of preparation:

### a) Statement of compliance:

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated financial statements were authorized for issue by the Board of Directors on April 3, 2017. These condensed interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended July 31, 2016. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

### b) Basis of measurement:

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as available-for-sale financial assets, which are measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### c) Functional and presentation currency:

The functional currency and the presentation currency of the Company and its subsidiaries is the Canadian dollar.

### d) Use of estimates and judgments:

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates.

# GOLDREA RESOURCES CORP.

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

For the Three and Six Months ended January 31, 2017 and 2016

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## 2. Basis of preparation (continued):

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

- i) Going concern presentation of the consolidated financial statements, which assumes the Company will continue operations 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.
- ii) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggests the carrying amount exceeds the recoverable amount.

## 3. Significant accounting policies:

- a) Basis of presentation and consolidation:

The interim consolidated financial statements are presented in Canadian dollars unless otherwise stated. The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, Goldrea USA Inc. and Goldrea Peru S.A.

All inter-company balances and transactions have been eliminated upon consolidation.

- b) Foreign currency translation:

Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date and non-monetary assets and liabilities are translated at historical rates. Foreign currency gains and losses arising from translation are included in profit or loss.

- c) Financial instruments:

The Company classifies its financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, available-for-sale and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition. The classification and measurement of the Company's financial instruments are disclosed in note 15 to these consolidated financial statements.

A financial asset is classified at fair value through profit or loss if it is classified as held for trading in the near future or is designated as such upon initial recognition. They are initially and subsequently recorded at fair value and changes in fair value are recognized in profit or loss for the period.

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. Loans and receivables 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. Loans and receivable includes cash and cash equivalents, amounts receivable and amounts due from related parties.

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Notes to the Interim Unaudited Condensed Consolidated Financial Statements

For the Three and Six Months ended January 31, 2017 and 2016

### 3. Significant accounting policies (continued):

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. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and are measured initially and subsequently at fair value. These are included in current assets. Marketable securities have been classified as available-for-sale. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses.

Non-derivative financial liabilities (excluding financial guarantees) are recorded at the date of obligation at fair value and are subsequently measured at amortized cost using the effective interest method. Other financial liabilities include account payable and accrued liabilities, other short term liabilities, and due to related parties.

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

#### d) Cash and cash equivalents:

Cash and cash equivalents consist of highly liquid investments that are readily convertible to known amounts of cash and have maturity dates of three months or less from the date of purchase.

#### e) Marketable securities:

Marketable securities include publicly traded common shares received as proceeds of mineral property option transactions and "share-for-debt" settlements of prior related party intercompany balances.

Marketable securities have been classified as available-for-sale and are carried at fair value based on quoted market prices.

#### f) Equipment:

Equipment is carried at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any cost directly attributable to bringing the asset to the location and condition necessary for its intended use and initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is calculated using the following annual rates, which are used to estimate the useful lives of the assets:

| Asset                  | Basis             | Rate                           |
|------------------------|-------------------|--------------------------------|
| Furniture and fixtures | Declining balance | 20%                            |
| Computer hardware      | Declining balance | 30%                            |
| Vehicles               | Straight line     | (5 years with 10% scrap value) |

# GOLDREA RESOURCES CORP.

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

For the Three and Six Months ended January 31, 2017 and 2016

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## 3. Significant accounting policies (continued):

Equipment used in exploration and evaluation activities, where substantially all the economic life or value of the asset is expected to be derived from a specific project, are accounted for as dedicated assets and included as a separate category within the costs allocated to the related exploration stage exploration and evaluation assets. Amortization for dedicated assets is recorded as exploration and evaluation expenditure of the related project.

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

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

### g) Exploration and evaluation assets:

These assets relate to mineral rights acquired and exploration and evaluation expenditures capitalized in respect of projects that are in the exploration or pre-development stage. Once a right to explore a mineral property has been secured, exploration and evaluation expenditures are capitalized and include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired. Costs incurred before the Company has obtained the legal rights to explore a mineral property are expensed as incurred.

Government tax credits and option payments received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exist to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. Facts and circumstances as defined in *IFRS 6 exploration and evaluation assets* are as follows:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

# GOLDREA RESOURCES CORP.

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

For the Three and Six Months ended January 31, 2017 and 2016

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## 3. Significant accounting policies (continued):

### h) Impairment of long-lived assets:

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

### i) Decommissioning obligations:

The 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 that amount. 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 January 31, 2017 and 2016, the Company has determined that it does not have material decommissioning obligations.

### j) Share capital:

Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity. The proceeds from the exercise of stock options or warrants together with amounts previously recorded over the vesting periods are recorded as share capital. Share capital issued for non-monetary consideration is recorded at an amount based on fair value on the date of issue.

The company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. Each unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing transaction, the warrants are exercisable into additional common shares at a price prior to expiry as stipulated by the transaction. Warrants that are part of units are assigned nil value and included in capital stock with the common shares that were concurrently issued. Warrants that are issued as payment for agency fee or other transaction costs are accounted for as share-based payments.

### k) Share-based payments:

The Company has an employee share purchase option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over their respective 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 the option reserve. The fair value of options is determined using a Black-Scholes 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. The expected term to exercise is based upon historical data of the average hold period before exercise.

Expected volatility is estimated with reference to the historical share price volatility of the Corporation's share price.

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Notes to the Interim Unaudited Condensed Consolidated Financial Statements

For the Three and Six Months ended January 31, 2017 and 2016

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### 3. Significant accounting policies (continued):

l) Income taxes:

Income taxes are recorded using the balance sheet method whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the balance sheet carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that enactment or substantive enactment occurs. A deferred tax asset is recognized only if it is probable that a deferred tax asset will be recovered. The Company does not recognize deferred tax asset or liability arising on initial recognition where the transaction is not a business combination and at the time of transaction, there is no impact on accounting profit or taxable profit.

m) 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. Due to the losses for the period ended January 31, 2017 and 2016, basic loss per share is equal to dilutive loss per share for the periods presented.

### 4. Future accounting pronouncements:

The following is the overview of new accounting standards that the Company will be required to adopt in future years. The Company does not expect to adopt any of these standards before their effective dates. The Company continues to evaluate the impact of these standards on its consolidated financial statements.

- a) IFRS 9 Financial Instruments was issued by the IASB on July 24, 2014 and will replace IAS 39 Financial instruments: recognition and measurement. IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.
- b) IFRS 15, Revenue from Contracts with Customers ("IFRS 15") which was issued by the IASB in May 2014, supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC13, Customer Loyalty Programs, IFRIC15, 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 establishes a single five-step model framework for determining the nature, amount, timing and certainty of revenue and cash flows arising from a contract with a customer. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. At this stage in the Company's activities, IFRS 15 is not expected to have a material impact on its consolidated financial statements.
- c) IFRS 16 Leases was issued in January 2016 by IASB eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operation leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use assets. In addition, lessees will recognize a front-loaded pattern of

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Notes to the Interim Unaudited Condensed Consolidated Financial Statements

For the Three and Six Months ended January 31, 2017 and 2016

expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption is permitted.

## 5. Cash and cash equivalents:

The Company's cash consists of CAD \$24,294 in the bank in Canada, and US \$64 (CAD \$84 equivalent) in Goldrea USA Inc. As at January 31, 2017 and 2016, there were no restricted funds.

## 6. Marketable securities:

The following tables show the fair value impact of marketable securities, classified as available for sale investment, on the Company:

| July 31, 2016 and January 31, 2017               | Fair value | Cost   | Accumulated<br>unrealized gains<br>(losses) |
|--------------------------------------------------|------------|--------|---------------------------------------------|
| American Manganese Inc.<br>198,234 common shares | -          | 19,823 | -                                           |

Accumulated other comprehensive income continuity is as follows:

|                                                                                                                       | \$       |
|-----------------------------------------------------------------------------------------------------------------------|----------|
| Accumulated other comprehensive income at July 31, 2015                                                               | (19,825) |
| Fair value adjustment on available-for-sale marketable securities, net of tax \$nil                                   | (2,973)  |
| Transferred to statement of loss upon disposition of available-for-sale marketable securities, net of tax \$nil       | 2,973    |
| Transfer to statement of loss as a result of impairment on available-for-sale marketable securities, net of tax \$nil | 19,823   |
| Accumulated other comprehensive income at July 31, 2016 and January 31, 2017                                          | -        |

## 7. Related party transactions:

The related party transactions are in the normal course of business and are measured at the exchange amount which is the amount agreed to by the related parties. Details of transactions with related parties that are not disclosed elsewhere of these consolidated financial statements are disclosed below:

|                                                | January 31, 2017 | July 31, 2016 |
|------------------------------------------------|------------------|---------------|
| Due from directors and officers of the Company | \$ -             | \$ 2,556      |
| Due to directors and officers of the Company   | \$ 9,644         | \$ -          |

Amounts due to and from officers, directors and companies with common directors are interest free, unsecured and have no specified terms of repayment. They have arisen from the provision of services and expense reimbursements or advances.

During the period ended January 31, 2017: consulting fees of \$48,000 (2016 - \$48,000) were accrued to executive directors and officers of the Company.

The above transactions were in the normal course of business and were measured at the exchange amount which is the amount agreed to by the related parties.

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## 8. Long Term Deposits:

|                                                                  | January 31, 2017 | July 31, 2016 |
|------------------------------------------------------------------|------------------|---------------|
|                                                                  | \$               | \$            |
| Reclamation deposit                                              | 34,500           | 34,500        |
| Security deposit                                                 | 11,500           | 11,500        |
| Non-refundable deposit for property acquisition (Note 10 (a)(v)) | 10,000           | 10,000        |
|                                                                  | 56,000           | 56,000        |

## 9. Equipment:

|                                  | Office<br>equipment | Furniture<br>and<br>fixtures | Computer<br>equipment | Total         |
|----------------------------------|---------------------|------------------------------|-----------------------|---------------|
|                                  | \$                  | \$                           | \$                    | \$            |
| <b>Costs</b>                     |                     |                              |                       |               |
| Balance, July 31, 2015           | 32,111              | 22,108                       | 41,024                | 95,243        |
| Additions                        | -                   | -                            | -                     | -             |
| Balance, July 31, 2016           | <b>32,111</b>       | <b>22,108</b>                | <b>41,024</b>         | <b>95,243</b> |
| Additions                        | -                   | -                            | 768                   | 768           |
| <b>Balance, January 31, 2017</b> | <b>32,111</b>       | <b>22,108</b>                | <b>41,792</b>         | <b>96,011</b> |
| <b>Accumulated Depreciation</b>  |                     |                              |                       |               |
| Balance, July 31, 2015           | 28,504              | 20,239                       | 38,722                | 87,465        |
| Charge for the period            | 1,344               | 372                          | 692                   | 2,408         |
| <b>Balance, July 31, 2016</b>    | <b>29,848</b>       | <b>20,611</b>                | <b>39,414</b>         | <b>89,873</b> |
| Charge for the period            | 226                 | 150                          | 300                   | 676           |
| <b>Balance, January 31, 2017</b> | <b>29,998</b>       | <b>20,837</b>                | <b>39,714</b>         | <b>90,549</b> |
| <b>Carrying Amounts</b>          |                     |                              |                       |               |
| July 31, 2016                    | 2,263               | 1,497                        | 1,610                 | 5,370         |
| <b>January 31, 2017</b>          | <b>2,113</b>        | <b>1,271</b>                 | <b>2,078</b>          | <b>5,462</b>  |

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## 10. Exploration and evaluation assets:

Exploration and evaluation assets:

a) British Columbia, Canada:

(i) Crowrea Property, Osoyoos and Similkameen Mining Division:

The Company holds a 50% interest in various mineral claims, some of which are partially owned by Nevada Clean Magnesium Inc. (formerly Molycor Gold Corporation). The property is a molybdenum prospect and is located near Summerland, B.C.

(ii) Flap, Nicola Mining Division:

The Company acquired by staking an undivided 50% joint venture interest in certain mineral claims. The property is located at Tadpole Lake, approximately 45 km west of Kelowna, B.C.

(iii) Empress Property, Osoyoos and Similkameen Mining Division:

The Company acquired by staking a 50% interest in the Empress Mineral claim, which is partially owned by Nevada Clean Magnesium Inc. (formerly Molycor Gold Corporation). It is a molybdenum prospect in the middle of the Crowrea Property near Summerland, B.C.

(iv) Cannonball Property

During the year ended July 31, 2016, the Company entered into an agreement (the "Cannonball Property Agreement") to purchase 1,490 hectares, located approximately 15 kilometers northeast of the former Snip mine in the Iskut River district of northwestern B.C. Under the term of the agreement, the Company purchased a 100% interest in the property, for 2,000,000 shares of the Company and a 2% NSR royalty of which the Company can purchase one percent from the holder at any time for the sum of \$1,000,000.

During the year ended July 31, 2016, the Company issued 2,000,000 shares of the Company in accordance with the Cannonball Property Agreement, these shares were valued at the Company's common share's trading price at the date of issuance.

(v) Gaspé Lithium Property

During the year ended July 31, 2016, the Company entered into an agreement to acquire the Gaspé Lithium Property, located approximately 75 kilometers northwest of the city of Gaspé, Quebec. Under the term of the agreement, the Company paid a \$10,000 non-refundable deposit and will issue 600,000 shares to the vendors upon final transfer of the claims by the Quebec government.

b) Nevada, U.S.A.:

(i) Lift Property:

During the period ended October 31, 2016, the Company entered into an agreement to purchase a 100% interest in a lithium prospect, known as the Lift Property, located in the Clayton Valley, Esmeralda County, Nevada. The Lift Property is comprised by sixty lode claims covering approximately 1200 acres of land. The claims are situated adjacent to Noram's lithium property and in proximity to Pure Energy and Cypress' interests in the Clayton Valley. Consideration for the acquisition consists of US\$30,000 cash (of which US\$15,000 has been paid), 500,000 Goldrea shares, and a 3% net smelter return royalty which can be bought back for US\$2.5 million. US\$24,270 has also been paid for county and BML recordation fees through August 2017.

## 11. Share capital and reserves:

(a) Authorized:

Authorized share capital comprises an unlimited number of common shares without par value.

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## 11. Share capital and reserves (con't):

### (b) Issued:

As at January 31, 2017, there were 21,624,925 issued and fully paid common shares. (July 31, 2016 – 14,049,925)

On August 18, 2016, the Company issued 7,575,000 common shares in connection with the completion of the Second Private Placement. The Company also paid \$5,376 cash and issued 89,600 share purchase warrants as a finder's fee in connection with the Second Private placement. The finder's share purchase warrants have the same terms of the share purchase warrants issued under the Second Private Placement.

### (c) Stock options:

The Company has a stock option plan that provides for the issuance of options to its directors, officers, employees and consultants. The options have a maximum term of five years.

During the period ended October 31, 2016, the Company granted 1,500,000 stock options to its directors, officers and consultants to acquire common shares of the Company at an exercise price of \$0.10 per share expiring in five years from the date of grant. These stock options vest immediately at the grant date. The fair value of the options granted was estimated to be \$0.10 per option, using the Black-Scholes options pricing model with the following assumptions:

Stock option transactions are summarized as follows:

|                               | Number<br>of Options | Weighted Average<br>Exercise Price |
|-------------------------------|----------------------|------------------------------------|
| Outstanding, July 31, 2015    | -                    | \$ 0.00                            |
| Issued                        | 1,500,000            | \$ 0.05                            |
| Outstanding, July 31, 2016    | 1,500,000            | \$ 0.05                            |
| Issued                        | 1,500,000            | \$ 0.10                            |
| Outstanding, January 31, 2017 | 3,000,000            | \$ 0.075                           |

The remaining contractual life for the stock options outstanding as at January 31, 2017 is 4.32 years.

The following summarizes information about stock options outstanding and exercisable at January 31, 2017:

| Number of Shares | Expiry Date        | Exercise Price |
|------------------|--------------------|----------------|
| 1,500,000        | February 2, 2021   | \$0.05         |
| 1,500,000        | September 15, 2021 | \$0.10         |
| 3,000,000        |                    |                |

All the above options vested at the date of grant.

There was share-based compensation expense recorded for the six months ended January 31, 2017 of \$149,685 (2015 - \$nil)

The fair value of stock options was determined using the Black-Scholes option pricing model based on the following assumptions:

|                                 | 2017    |
|---------------------------------|---------|
| Risk-free interest rate         | 0.72%   |
| Expected dividend yield         | 0%      |
| Expected stock price volatility | 226%    |
| Expected forfeitures            | 0%      |
| Expected option life in years   | 5 years |

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(d) Share purchase warrants:

|                           | Number<br>of share<br>purchase<br>warrants | Weighted<br>Average<br>Exercise Price | \$   |
|---------------------------|--------------------------------------------|---------------------------------------|------|
| Balance, July 31, 2015    | 3,792,000                                  | \$                                    | 0.08 |
| Issued                    | 720,000                                    |                                       | 0.10 |
| Expired                   | (3,792,000)                                |                                       | 0.08 |
| Balance, July 31, 2016    | 720,000                                    | \$                                    | 0.10 |
| Issued                    | 3,877,100                                  |                                       | 0.12 |
| Balance, January 31, 2017 | 4,597,100                                  | \$                                    | 0.12 |

The following table summarizes information about share purchase warrants outstanding at January 31, 2017:

| Number of Warrants | Exercise Price | Expiry Date      |
|--------------------|----------------|------------------|
| 720,000            | \$0.10         | February 3, 2017 |
| 3,877,100          | \$0.05         | August 18, 2017  |
| 4,597,100          |                |                  |

## 12. Segmented information

The Company's mineral properties are located in two geographic regions, Canada, and USA, and its corporate assets are located in Canada. A summary of total assets and net loss by geographic region is as follows:

|                                                          | Jan 31, 2017 | Jan 31, 2016 |
|----------------------------------------------------------|--------------|--------------|
| Net loss for the period                                  |              |              |
| Canada                                                   | \$ 288,146   | \$ 72,711    |
| Peru                                                     | -            | 29,159       |
| USA                                                      | -            | 13           |
|                                                          | \$ 288,146   | \$ 101,883   |
| Mineral properties and Exploration and Evaluation Assets |              |              |
| Canada                                                   | \$ 1,129     | \$ 1         |
| USA                                                      | 52,260       | -            |
|                                                          | \$ 53,389    | \$ 1         |
| Assets                                                   |              |              |
| Canada                                                   | \$ 221,790   | \$ 106,164   |
| Peru                                                     | -            | 1,070        |
| USA                                                      | 84           | 90           |
|                                                          | \$ 221,874   | \$ 107,323   |

## 13. Commitment

On April 24, 2015, the Company signed an agreement (the "Agreement") with Canadian Mining S. A. ("CMSA"), a Peruvian company to jointly build and operate a gold processing plant at Peru (the "Plant"). In May 2015, the Company incorporated a wholly owned subsidiary in Peru to hold the Plant and CMSA was appointed as the manager for the Plant's operations in accordance with the Agreement. Pursuant to the Agreement, the Company is first entitled to all of the available distributable cash up to an amount equal to the start-up cost incurred by the Company, any subsequently available distributable cash will be distributed to the Company and CMSA at the ratio of 80%/20%, respectively (collectively, the "Distribution"). CMSA is

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Notes to the Interim Unaudited Condensed Consolidated Financial Statements

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entitled to a bonus of \$20,000 once the plant has processed minerals at 70% of the mills' total capacity for 30 consecutive days, and another one-time bonus of \$100,000 if the after tax net profit from the Plant's operations is equal to or greater than \$1 million for any calendar month (collectively, the "CMSA Payments").

During the years ended July 31, 2016 and 2015, the Plant did not have significant operations and no Distributions and CMSA Payments were made.

## 14. Financial risk management:

### (a) Fair value of financial instruments:

The Company classified its fair value measures within a fair value hierarchy, which reflects the significance of inputs used in making the measurements as defined in IFRS 7 – Financial Instruments: Disclosures.

Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities inactive markets; quoted prices for identical or similar assets and liabilities in market that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs which are supported by little or no market activity.

The fair values of the Company's financial instruments approximate their carrying values as at January 31, 2017 and 2016. Fair values were obtained by Level 1 hierarchy inputs for marketable securities.

Other than marketable securities, the Company does not have other financial instruments measured at recurring basis. The Company does not have financial instruments using level 2 or level 3 inputs.

### (b) Financial instruments risk:

The Company is exposed in varying degrees to a variety of financial risks. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management procedures.

The types of risk exposure and the way such exposure is managed are provided as follows:

#### (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, its short-term bank guaranteed investment certificates and amounts receivable. Cash and investments are with Schedule 1 banks or equivalent, with majority of 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. The maximum exposure to credit risk is equal to the carry value of the financial assets.

#### (ii) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning and budgeting process to assist in determining the funds required to support normal operating requirements on an ongoing basis, including capital development and exploration expenditures. As at January 31, 2017, the Company has a cash and cash equivalent balance of \$24,378 (July 31, 2016 - \$54,959) to settle current liabilities of \$45,056 (July 31, 2016 - \$41,428). Accounts payable and accrued liabilities are due within the current operating period. As at January 31, 2017, the Company had a working capital of \$61,967 (July 31, 2016 - \$40,728) and was relying on the financial support of a related company and subsequently on equity financing activity. These financial statements assume the related company will not demand repayment of the debt prior to Goldrea generating sufficient cash to repay this amount. See note 1 for additional discussion on going concern.

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## 14. Financial risk management: (continued):

### (iii) Market risk:

The Company's primary market risk is in the areas of metal prices and foreign exchange risk on financial instruments denominated in other than Canadian dollars. At January 31, 2017, the Company had no hedging agreements in place with respect to metal prices or foreign exchange rates.

#### A) Commodity price risk:

The value of the Company's primary mineral property is dependent on the price of gold and the outlook for this mineral. The value of exploration stage gold and molybdenum properties is also dependent on the price of gold and molybdenum and the outlook for the minerals.

Market prices for these metals historically have fluctuated widely and are affected by numerous factors outside of the Company's control including but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators, as well as certain other factors related specifically to gold.

The profitability of the Company's primary property is highly correlated to the market price of gold. If gold prices decline for a prolonged period below the cost of production it may not be economically feasible to continue towards production.

The Company has not entered into any hedging or commodity based derivative financial instruments.

#### B) Currency risk:

As at January 31, 2017, the Company does not hold the significant foreign currency financial assets and liabilities.

#### C) Equity price risk:

Equity price risk arises from available-for-sale equity securities. The Company's exposure at January 31, 2017 was \$nil. The shares are publicly traded, market-prices are readily available, and their carrying value is equal to the market value at January 31, 2017.

#### D) 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 cash and cash equivalents contain highly liquid investments that earn interest at market rates and have maturities of 90 days or less. The interest is typical of Canadian banking rates, which are presently low; however this conservative investment strategy mitigates the risk of deterioration to the investment. A change of 100 basis points in the interest rates would not be material to the financial statements.

## 15. 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' equity 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 mineral 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.

# **GOLDREA RESOURCES CORP.**

Notes to the Interim Unaudited Condensed Consolidated Financial Statements

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The properties in which the Company currently has an interest in are in the exploration and pre-development stages, 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 quarter ended January 31, 2017.

# GOLDREA RESOURCES CORP.

Schedule of Exploration and Evaluation Assets  
Period ended January 31, 2017

|                                         | July 31,<br>2015 | Expenditures<br>(recoveries<br>or write-<br>downs) | July 31,<br>2016 | Expenditures<br>(recoveries or<br>write-downs) | January<br>31, 2017 |
|-----------------------------------------|------------------|----------------------------------------------------|------------------|------------------------------------------------|---------------------|
| <b>Canada - British Columbia:</b>       |                  |                                                    |                  |                                                |                     |
| Crowrea:                                |                  |                                                    |                  |                                                |                     |
| Acquisition                             | \$-              | \$-                                                | \$-              | \$-                                            | \$-                 |
| Assay and analysis                      | -                | -                                                  | -                | -                                              | -                   |
| Engineering and geological              | -                | -                                                  | -                | -                                              | -                   |
|                                         | -                | -                                                  | -                | -                                              | -                   |
| Flap:                                   |                  |                                                    |                  |                                                |                     |
| Acquisition                             | -                | -                                                  | -                | -                                              | -                   |
| Assay and analysis                      | -                | -                                                  | -                | -                                              | -                   |
| Engineering and geological              | -                | -                                                  | -                | -                                              | -                   |
|                                         | -                | -                                                  | -                | -                                              | -                   |
| Empress:                                |                  |                                                    |                  |                                                |                     |
| Acquisition                             | 1                | -                                                  | 1                | 627                                            | 628                 |
| Assay and analysis                      | -                | -                                                  | -                | -                                              | -                   |
| Engineering and geological              | -                | -                                                  | -                | -                                              | -                   |
|                                         | 1                | -                                                  | 1                | 627                                            | 628                 |
| Cannonball:                             |                  |                                                    |                  |                                                |                     |
| Acquisition                             | 200,000          | (199,999)                                          | 1                | 500                                            | 501                 |
|                                         | 200,000          | (199,999)                                          | 1                | 500                                            | 501                 |
| <b>USA - Nevada:</b>                    |                  |                                                    |                  |                                                |                     |
| Lift:                                   |                  |                                                    |                  |                                                |                     |
| Acquisition                             | -                | -                                                  | -                | 52,260                                         | 52,260              |
| Assay and analysis                      | -                | -                                                  | -                | -                                              | -                   |
| Drilling                                | -                | -                                                  | -                | -                                              | -                   |
| Engineering and geological              | -                | -                                                  | -                | -                                              | -                   |
|                                         | -                | -                                                  | -                | 52,260                                         | 52,260              |
| Total Exploration and evaluation assets | 200,000          | (199,999)                                          | 2                | 52,760                                         | 53,389              |