KHAN RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

SEPTEMBER 30, 2017 AND 2016

(Expressed in Canadian Dollars)

RSM

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Khan Resources Inc.

We have audited the accompanying consolidated financial statements of Khan Resources Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at September 30, 2017 and September 30, 2016 and the consolidated statements of income (loss), other comprehensive income (loss), changes in shareholders' equity and cash flow for the years 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 auditors' judgement, 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 audits 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 Khan Resources Inc. and its subsidiaries, as at September 30, 2017 and September 30, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of material uncertainties that casts significant doubt about the Company's ability to continue as a going concern.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
January 29, 2018
Toronto, Ontario

KHAN RESOURCES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)

	September 30, 2017	September 30, 2016
		(See Note 10)
Assets		
Current Assets		
Cash and cash equivalents (Note 4)	**$ 1,630,152**	$ 4,814,174
Short-term investments (Note 5)	**5,010,389**	80,000,110
Accounts receivable and prepaid expenses (Note 6)	**34,412**	103,910
Investments (Note 7)	**-**	263,823
Current income tax asset (Note 10) & (Note 15)	**402,058**	185,750
	7,077,011	85,367,767
Other assets (Note 8)	**89,375**	52,250
	$ 7,166,386	$ 85,420,017
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	**$ 56,181**	$ 141,968
Current income tax liability (Note 15)	**-**	1,125,000
	56,181	1,266,968
Shareholders' Equity		
Capital stock (Note 11)	**8,187,214**	83,635,774
Contributed surplus (Note 12)	**11,216,357**	11,711,308
Deficit	**(12,293,366)**	(7,654,614)
Accumulated other comprehensive loss	**-**	(3,539,419)
	7,110,205	84,153,049
	$ 7,166,386	$ 85,420,017

Nature of Operations and Going Concern (Note 1)

SIGNED ON BEHALF OF THE BOARD

(Signed) *"Marc Henderson"*
Director

(Signed) *"Michael Sadhra"*
Director

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

KHAN RESOURCES INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(EXPRESSED IN CANADIAN DOLLARS)

Years ended September 30,	**2017**	2016
		(See Note 10)
Income		
Interest income	**$ 129,398**	$ 74,491
Compensation for impairment in value of investment in subsidiaries (Note 1)	**-**	90,593,987
	129,398	90,668,478
Expenses		
Legal expenses	**$ 486,124**	$ 5,715,102
General corporate expenses	**598,661**	905,920
Salaries and wages	**606,601**	787,489
Loss on sale of subsidiary (Note 2)	**-**	2,378,223
Restructuring costs (Note 10)	**425,745**	-
Foreign exchange loss (gain)	**54,901**	(746,091)
	2,172,032	9,040,643
Income (loss) before income taxes	**(2,042,634)**	81,627,835
Income tax recovery (expense) (Note 10) & (Note 15)	**578,058**	(939,250)
Net income (loss) for the year	**$ (1,464,576)**	$ 80,688,585
Gain (loss) per share - basic & diluted	**$ (0.02)**	$ 0.95
Weighted average number of shares outstanding	**89,918,130**	84,938,440

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

KHAN RESOURCES INC.
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME (LOSS)
(EXPRESSED IN CANADIAN DOLLARS)

Years ended September 30,		**2017**		2016
				(See Note 10)
Net income (loss) for the year	**$**	**(1,464,576)**	$	80,688,585
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to net income (loss)				
Fair value adjustment of equity instrument (Note 7)		**421,029**		(52,765)
Income tax on valuation of equity instrument (Note 7)		**(55,786)**		-
Other comprehensive income (loss) for the year		**365,243**		**(52,765)**
Total comprehensive income (loss) for the year	**$**	**(1,099,333)**	**$**	**80,635,820**

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

KHAN RESOURCES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(EXPRESSED IN CANADIAN DOLLARS)

	Common Shares (See Note 10)	Capital Stock (See Note 10)	Contributed Surplus (See Note 10)	Deficit (See Note 10)	Accumulated Other Comprehensive Income (Loss) (See Note 10)	Total (See Note 10)
Balance, October 1, 2015	**84,136,482**	**$ 80,662,398**	**$ 12,910,008**	**$(88,343,199)**	**$ (3,486,654)**	**$ 1,742,553**
Stock options exercised	4,530,000	1,774,675	-	-	-	1,774,675
Fair value of options exercised	-	1,198,701	(1,198,701)	-	-	-
Net income for the year	-	-	-	80,688,585	-	80,688,585
Other comprehensive loss	-	-	-	-	(52,765)	(52,765)
Balance, September 30, 2016	**88,666,482**	**83,635,774**	**11,711,307**	**(7,654,614)**	**(3,539,419)**	**84,153,048**
Stock options exercised (Note 11)	1,500,000	698,000	-	-	-	698,000
Fair value of options exercised (Note 11)	-	494,950	(494,950)	-	-	-
Distribution to shareholders - return of capital (Note 12)	-	(76,641,510)	-	-	-	(76,641,510)
Net loss for the year	-	-	-	(1,464,576)	-	(1,464,576)
Other comprehensive income (Note 7)	-	-	-	-	365,243	365,243
Reclassification to deficit of cumulative loss of equity instrument at its disposal (Note 7)	-	-	-	(3,174,176)	3,174,176	-
Balance, September 30, 2017	**90,166,482**	**$ 8,187,214**	**$ 11,216,357**	**$(12,293,366)**	**$ -**	**$ 7,110,205**

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

KHAN RESOURCES INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
(EXPRESSED IN CANADIAN DOLLARS)

Years ended September 30,	**2017**	2016
		(See Note 10)
Cash and cash equivalents (used in) provided by:		
Operating Activities		
Net income (loss) for the year	**$ (1,464,576)**	$ 80,688,585
Adjustments for:		
Income tax expense (recovery) (Note 15)	**(578,058)**	939,250
Non-cash financial expense (income), net	**(7,060)**	(36,027)
Loss on sale of subsidiary (Note 2)	**-**	2,378,223
Net change in non-cash working capital items:		
Accounts receivable and prepaid expenses	**69,498**	1,731
Accounts payable and accrued liabilities	**(85,787)**	(124,754)
Current income tax paid, net of recovery	**(822,255)**	-
	(2,888,238)	83,847,008
Financing Activities		
Distribution to shareholders - return of capital (Note 11)	**(76,641,510)**	-
Stock options exercised	**698,000**	1,774,675
	(75,943,510)	1,774,675
Investing Activities		
Increase of other assets	**(37,125)**	-
Purchase of short - term investments	**(5,000,000)**	(80,000,000)
Proceeds on sale of short - term investments	**80,000,000**	-
Proceeds on sale of investments	**684,851**	-
Proceeds from sale of subsidiary	**-**	49,559,091
Cash outflow on sale of subsidiary	**-**	(51,937,314)
	75,647,726	(82,378,223)
Change in cash and cash equivalents	**(3,184,022)**	3,243,460
Cash and cash equivalents, beginning of the year	**4,814,174**	1,570,714
Cash and cash equivalents, end of the year (Note 4)	**$ 1,630,152**	$ 4,814,174

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

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company is a publicly listed company incorporated in Canada under the legislation of the Province of Ontario. The Company's shares are listed on the Canadian Securities Exchange.

The registered office of the Company is located at The Exchange Tower, 130 King Street West, Suite 3680, Toronto, Ontario, Canada M5X 1B1.

The Company along with its subsidiary company (collectively the "Company" or "Khan"), was involved in acquiring, exploring and developing mineral properties in Mongolia.

On May 18, 2016, the Company announced that it had received USD$70 million ($90,593,987 Canadian at September 30, 2016) from the Government of Mongolia in settlement of all outstanding matters pursuant to the international arbitration award received by the Company. The subsidiaries of the Company collectively received an award of USD$55,167,000 ($70,000,000 less costs of $14,833,000 awarded to the parent company). The allocation of the award is attributable to each entity's interest in the underlying historic assets of the two former Mongolian subsidiaries. The arbitration award received by the subsidiaries is considered to be proceeds in respect of the impairment in value of the receivables from and shares of the Mongolian subsidiaries, as applicable.

On November 10, 2016 the shareholders of the Company approved a special resolution to implement the voluntary liquidation and dissolution of Khan. Consequently, the consolidated financial statements at September 30, 2016 were prepared on the basis that the Company was no longer a going concern. The liquidation plan approved by the shareholders provided that the board of directors was authorized to stop the liquidation of the Company if it determines in its discretion that doing so is no longer in the best interests of the Company or its shareholders. On May 5, 2017 at the Company's annual meeting, the shareholders of the Company elected a new board of directors. On May 8, 2017 the board of directors announced that it had determined that it would not proceed with the Company liquidation. The board of directors has determined that it is in the best interest of the Company and its shareholders to consider other possible strategic alternatives for the Company with a view to maximizing its value for the benefits of its shareholders (see Note 10). The Company will continue to assess new properties and seek to acquire them if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

At September 30, 2017, the Company had a working capital of $7,020,830, had cash outflow from operations of $2,888,238 (2016 inflow - $83,847,008) not yet achieved profitable operations, had accumulated losses of $12,293,366 (September 30, 2016 - $7,564,614) and expects to incur further losses in the determination of its future business alternatives, all of which creates material uncertainty and casts significant doubt upon the Company's ability to continue as a going concern.

On January 29, 2018, the Board of Directors approved the consolidated financial statements for the years ended September 30, 2017 and 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and their interpretations issued by the IFRS Interpretations Committee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Change in Basis of Presentation

The consolidated financial statements as at September 30, 2017 and 2016 have been prepared and presented on a going concern basis. The going concern basis assumes continuity of operations, realization of assets and discharges of liabilities in the ordinary course of business and does not purport to show, reflect or provide for the consequences of the Company's intention to liquidate. The consolidated financial statements as at September 30, 2016 and for the year then ended were previously prepared and presented on a liquidation basis of accounting, the Company considers it is more useful, for comparative purposes, to present the comparative year on the current going concern basis.

Under the liquidation basis of accounting, the Company measured its assets based on their net realizable value and its liabilities based on their settlement amounts. The September 30, 2016 consolidated financial statements were previously prepared primarily using fair values which in this case, approximated the net realizable value of the assets and the settlement amounts of the liabilities. Details of the change of presentation and its effects in the previous year financial statement prepared on liquidation basis are disclosed in the Note 10.

Principles of Consolidation

The consolidated financial statements include all entities over which the Company has control. For accounting purposes, control is established by an investor when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are no longer consolidated on the date control ceases.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary located in Netherlands, Khan Resources B.V. ("KRBV"). In August of 2016, the Company sold all of the shares of its subsidiary Khan Resources Bermuda Ltd. for a cash sale price of $49,559,000 which resulted in a loss on the sale of the subsidiary of $2,378,223; such subsidiary was included in the consolidation up to the date of its sale.

Intercompany balances and any unrealized gains and losses or income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

Basis of Preparation

These consolidated financial statements are presented in Canadian dollars which is also the functional currency of the parent Company Khan Resources Inc. The functional currency of the wholly owned subsidiary KRBV is the Euro.

The consolidated financial statements are prepared on the historical cost basis except for financial instruments which are measured at their fair value, as explained in the accounting policies set out in this note.

The accounting policies set out below have been applied consistently to the years presented in the consolidated financial statements.

Foreign Currency Translation

Foreign currency transactions are initially recorded into the functional currency at the transaction date exchange rate. At year end, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the balance sheet date's exchange rate and non-monetary assets and liabilities at the historical rate. These foreign currency adjustments are recognized in net loss of the consolidated statement of income (loss).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The “cash and cash equivalents” category consists of cash in banks, call deposits and other highly liquid investments with initial maturities of three months or less or which are cashable without penalty.

Financial Instruments

Initial recognition and measurement (financial assets and financial liabilities) - The Company initially recognizes financial assets and financial liabilities when it becomes party to the contractual provisions of the financial instrument. Initial measurement of the financial instrument is at fair value, plus for those financial assets and liabilities not classified at fair value through profit or loss ("FVTPL"), directly attributable transaction costs.

Financial assets – subsequent classification and measurement - Financial assets are classified in their entirety including any embedded derivatives. Two criteria are used to determine how financial assets should be classified and measured: (a) the Company’s business model for managing the financial assets; and (b) the contractual cash flow characteristics of the financial asset. Key management personnel have determined that the Company’s financial assets (excluding investments in equity investments) are held within a business model whose objective is to hold financial assets in order to collect cash flows.

Where the contractual cash flow characteristics of financial assets, taken on an instrument-by-instrument basis, give rise, on specified dates, to cash flows that are solely payments of principal and interest then a financial asset is classified as subsequently measured at amortized cost using the effective interest method. This is called the SPPI criterion. A financial asset that does not meet the SPPI criterion is always measured at FVTPL.

In addition, at initial recognition, the Company may make an irrevocable election to present in other comprehensive income ("OCI"), subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination. Such an equity instrument is classified as subsequently measured at fair value through other comprehensive income ("FVOCI"). Gains and losses recognized in OCI are not subsequently transferred to profit or loss, although the Company may determine to transfer the cumulative gain or loss within equity. Dividends are still recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment. The Company has elected to classify investments in equity instruments as FVOCI.

Reclassification - Financial assets are only reclassified between measurement categories, when and only when, the Company’s business model for managing them changes. This is a significant event and thus is expected to be uncommon.

Impairment of financial assets - All of the Company’s financial assets are subject to an impairment test at each reporting date with the exception of equity instruments measured at FVOCI. This includes any lease receivables. It also includes any off balance sheet loan commitments and financial guarantees.

Financial liabilities – subsequent classification and measurement - Financial liabilities are subsequently measured at amortized cost using the effective interest method or bifurcated into a host instrument measured at amortized cost , and an embedded derivative, measured at FVTPL. The Company is unlikely to originate a liability derivative other than in a host liability contract such as a debt instrument. Financial liabilities include accounts payable and accrued liabilities.

Derecognition - The Company will derecognize a financial asset when the rights to the cash flows from the financial asset have expired or where the Company has transferred substantially all risks and rewards associated with the financial asset and has relinquished control of the financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company will derecognize a financial liability only when extinguished — i.e., when the obligation specified in the contract is discharged, cancelled or it expires.

Impairment

The Company continually reviews and evaluates the events or changes in the economic environment that indicates a risk of impairment of assets to determine whether the carrying amount of the asset or group of assets under consideration exceeds its or their recoverable amount. Impairment of the assets is evaluated at the cash generating unit ("CGU") level which is the smallest identifiable group of asset that generates cash inflows, independent of the cash inflows from other assets, as defined by IAS 36 "Impairment of assets". Recoverable amount is defined as the higher of an asset’s fair value (less costs to sell) and its value in use. The active market or a binding sale agreement provides the best evidence for the determination of the fair value, but where neither exists, fair value is based on the best information available to reflect the amount the Company could receive for the CGU in an arm's length transaction. Value in use is equal to the present value of future cash flows expected to be derived from the use and sale of the asset.

Provisions

A provision is recognized on the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Income Tax

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Pursuant to the liability method, deferred taxes are recorded for temporary differences existing at closing date between the tax base value of assets and liabilities and their carrying amount on the balance sheet.

Deferred tax assets and liabilities are measured at the expected tax rates for the year during which the asset will be realized or the liability settled, based on tax rates (and tax regulations) enacted or substantially enacted at year-end. They are reviewed at the end of each year, in line with any changes in applicable tax rates.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of tax losses and unused tax credits, insofar as it is probable that a taxable profit will be available, or when a current tax liability exists, to make use of those deductible temporary differences, tax loss carry forwards and unused tax credits, except where the deferred tax asset associated with the deductible temporary difference is generated by initial recognition of an asset or liability in a transaction which is not a business combination, and which, at the transaction date, does not impact earnings, tax income or loss.

Income

Other income is recognized at the time persuasive evidence of an agreement exists, amount is fixed and determinable, and collectability is reasonably assured.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stock-based Compensation

The Company offers a share option plan. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured using the Black-Scholes option pricing model. Compensation expense is recognized as a charge to net loss or mineral property and related deferred costs over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. Any consideration paid on exercise of share options is credited to capital stock. The contributed surplus resulting from stock-based payment is transferred to capital stock when the options are exercised.

For equity settled transactions with non-employees, the Company measures goods or services received at their fair value, unless that fair value cannot be estimated reliably, in which case, the Company measures their value by reference to the fair value of the equity instruments granted.

Earnings (Loss) per Share

Basic earnings (loss) per share amounts are calculated by dividing net profit (loss) for the period attributable to common shareholders by the basic weighted average number of common shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit (loss) attributable to common shareholders of the Company by the weighted average number of shares outstanding during the period plus the weighted average number of diluted shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares. The options and warrants of the Company are anti-dilutive as of September 30, 2017.

Segmental Reporting

The Company has only a single operating segment, and therefore one reportable segment.

Accounting Standards Issued but not yet Effective

At the date of authorization of these financial statements, the IASB has issued the following standard which is not yet effective for the relevant reporting period.

IFRS 15 Revenue from Contracts with Customers was issued in May 2014, *and replaces IAS 18 Revenue, IAS 11 Construction Contracts* and related interpretations. The standard provides clarification for recognizing revenue from contracts with customers and establishes a single revenue recognition and measurement framework that applies to contracts with customers. The standard is required to be adopted either retrospectively or using a modified transaction approach for fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently evaluating the impact of the standard on the Company's financial statements.

IFRS 16 Leases was issued in January 2016 and replaces *IAS 17 Leases*. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. If the lease was classified as a finance lease, a lease liability was included on the statement of financial position. IFRS 16 now requires lessees to recognize a right of use asset and lease liability reflecting future lease payments for virtually all lease contracts. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability accrues interest. The IASB has included an optional exemption for certain short term leases and leases of low value assets; however, this exemption can only be applied by lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

right to direct the identified asset's use and obtain substantially all the economic benefits from that use. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if *IFRS 15, Revenue from Contracts with Customers*, is also applied. The Company is currently evaluating the impact of the standard on the Company's financial statements.

IFRIC 23 *Uncertainty over income tax treatments* was issued by the IASB in June 2017, provides guidance as to when it is appropriate to recognize a current tax asset when the taxation authority requires an entity to make an immediate payment related to an amount in dispute. This interpretation applies for annual reporting periods beginning on or after January 1, 2019. The Company is currently analyzing the potential effects of adopting this standard on its financial statements.

3. ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in compliance with IFRS requires the Company's management to make certain estimates and assumptions that they consider reasonable and realistic. Despite regular reviews of these estimates and assumptions, based in particular on past achievements or anticipations, facts and circumstances may lead to changes in these estimates and assumptions which could impact the reported amount of the Company's assets, liabilities, equity or earnings. These estimates and assumptions notably relate to the following items:

Deferred income taxes - In assessing the probability of realizing deferred income taxes, the Company makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, the Company gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers relevant tax planning opportunities that are within the Company's control, are feasible and within management's ability to implement. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred taxes. The Company reassesses unrecognized income tax at each reporting period.

Going Concern - The Company applies judgment in assessing whether material uncertainties exist that would cause doubt as to whether the Company could continue as a going concern.

4. CASH AND CASH EQUIVALENTS

The balance consists of cash in banks immediately available for its use in the Company's operations.

5. SHORT-TERM INVESTMENTS

The short-term investments consist of a guaranteed investment certificate ("GIC") with a maturity date of less than three months and held for investment. Any GIC pledged as security is presented as restricted cash in the other assets account.

(EXPRESSED IN CANADIAN DOLLARS)

6. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

The balances are comprised as follows:

	September 30, 2017	September 30, 2016
Prepaid expenses and advances	**$ 24,983**	$ 18,920
Harmonized sales tax	**7,424**	48,962
Interest receivable - GIC	**2,005**	36,028
	$ 34,412	$ 103,910

7. INVESTMENTS

The Company's investments in shares are classified as fair value through other comprehensive income and are carried at fair value. The balance is comprised of the following:

	Number of Shares	**September 30, 2017**	Number of Shares	September 30, 2016
Plateau Uranium Inc. (i)	**-**	**$ -**	1,055,291	$ 263,823
Total investments		**-**		263,823

(i) In the current year, the Company sold its portfolio of investments in Plateau Uranium Inc. the $421,029 gain in the valuation of the investments, net of $55,786 of income tax, was recorded in other comprehensive income. Subsequently, the $3,174,176 cumulative balance of other comprehensive income (loss) was reclassified to the deficit account.

8. OTHER ASSETS

The balances are comprised as follows:

	September 30, 2017	September 30, 2016
Restricted cash (a)	$ 52,250	$ 52,250
Non-current prepaid insurance	37,125	-
	$ 89,375	**$ 52,250**

(a) Restricted cash consists of a guaranteed investment certificate pledged as security for a corporate credit card facility.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The balances are comprised as follows:

	September 30, 2017	September 30, 2016
Trade accounts payable	**$ 28,305**	$ 17,705
Accrued liabilities	**27,876**	124,263
	$ 56,181	$ 141,968

(EXPRESSED IN CANADIAN DOLLARS)

10. COMPARATIVE FINANCIAL STATEMENTS AND RESTRUCTURING COSTS

As described in the Note 2, the consolidated financial statements as at September 30, 2017 and 2016 are presented on a going concern basis. The consolidated financial statements as at September 30, 2016 and for the year then ended were previously prepared and presented on a liquidation basis of accounting.

The previously reported consolidated financial statements as at September 30, 2016 and for the year then ended included a $1,450,000 provision for liquidation and restructuring costs. These estimated costs included legal expenses for liquidating the Company, tax consulting on final dissolution, tax returns, transfer agent fees for the distribution of funds and deregistration of shareholders, employee severances, record retention costs and insurance, certain costs and fees to be incurred to liquidate the residual assets and for the specific wind-up activities of the Company. The consolidated financial statements of that year did not include anticipated operating costs and overhead for the wind-up period nor provision for the settling of contingent liabilities. The $1,450,000 provision, net of its $384,250 income tax effect represent the $1,065,750 variance in the net results of the year 2016 between the financial statements prepared on a liquidation and a going concern basis.

A description of the accounts that present differences in the 2016 consolidated statements of financial position and Income (loss) prepared on liquidation and going concern basis is shown as follows:

Consolidated statement of financial position at September 30, 2016, prepared on	(Previously Presented) Liquidation Basis	Variance	**Going Concern Basis**
Current income tax asset	$ 570,000	$ (384,250)	**$ 185,750**
Other assets	85,234,267	-	**85,234,267**
Total assets	85,804,267	(384,250)	**85,420,017**
Liquidation provision	(1,450,000)	1,450,000	**-**
Other liabilities	(1,266,968)	-	**(1,266,968)**
Net assets at September 30, 2016	$ 83,087,299	$ 1,065,750	**$ 84,153,049**
Deficit	(8,720,364)	1,065,750	**(7,654,614)**
Other Shareholders' Equity accounts	91,807,663	-	**91,807,663**
Shareholders' Equity at September 30, 2016	83,087,299	$ 1,065,750	**$ 84,153,049**

Consolidated statement of income (loss) for the year ended September 30, 2016, prepared on	(Previously Presented) Liquidation Basis	Variance	**Going Concern Basis**
Liquidation provision	$ (1,450,000)	$ 1,450,000	**$ -**
Other income (expenses), net	81,627,835	-	**81,627,835**
Net income before income tax	80,177,835	1,450,000	**81,627,835**
Deferred income tax	(555,000)	(384,250)	**(939,250)**
Net income for the year ended September 30, 2016	$ 79,622,835	$ 1,065,750	**$ 80,688,585**
Gain (loss) per share - basic & diluted	$ 0.94	$ 0.01	**$ 0.95**

(EXPRESSED IN CANADIAN DOLLARS)

10. COMPARATIVE FINANCIAL STATEMENTS AND RESTRUCTURING COSTS (Continued)

As described in Note 1, on May 8, 2017 the board of directors announced that it would not proceed with the Company liquidation. At the date of the announcement, $425,745 of the previously recorded provision for liquidation were actually expended, such amount is presented as current year restructuring costs in the consolidated statement of income (loss). The detail of the restructuring costs for the year ended September 30, 2017, is as follows:

Description of the restructuring costs	
Severance and other employee expenses	**163,500**
Consultants and audit expenses	**214,896**
Legal expenses	**47,349**
Total restructuring costs for the year ended September 30, 2017	**425,745**

In addition to the above noted changes, some of the figures of the comparative financial statements have been reclassified from the statements previously presented to conform to the presentation of these September 30, 2017 consolidated financial statements.

11. CAPITAL STOCK

a) AUTHORIZED

Unlimited common shares

b) ISSUED

COMMON SHARES	Number of Shares	Stated Value
Balance,October 1, 2015	84,136,482	$ 80,662,398
Stock options exercised	4,530,000	1,774,675
Fair value of options exercised	-	1,198,701
Balance, September 30, 2016	88,666,482	$ 83,635,774
Stock options exercised	1,500,000	698,000
Fair value of options exercised	-	494,950
Distribution to shareholders - return of capital	-	(76,641,510)
Balance, September 30, 2017	90,166,482	$ 8,187,214

Return of Capital

On November 10, 2016, the shareholders approved a distribution of $76,641,510, which represents $0.85 per share, by way of a return of capital that was paid on November 29, 2016 to the shareholders of record at November 22, 2016.

(EXPRESSED IN CANADIAN DOLLARS)

12. STOCK-BASED COMPENSATION

Continuity of the options to purchase common shares is as follows:

	Number of Stock Options 2017	Number of Stock Options 2016	**Weighted Average Exercise Price 2017**	Weighted Average Exercise Price 2016
Balance, at beginning of year	**1,500,000**	6,380,000	**$ 0.47**	$ 0.42
Exercised	**(600,000)**	(4,530,000)	**0.34**	0.39
Exercised	**(500,000)**	-	**0.57**	-
Exercised	**(400,000)**	-	**0.53**	-
Expired	**-**	(350,000)	**-**	0.55
Balance, September 30, 2017 and 2016	**-**	1,500,000	**$ -**	$ 0.47

The weighted average life of the outstanding options at September 30, 2016 was 1.2 years.

The detail of outstanding options at September 30, 2016 is as follows:

Expiry Date	Number of Stock Options	Exercise Price
March 28, 2017	600,000	0.34
March 19, 2018	500,000	0.57
August 20, 2018	400,000	0.53
Balance at September 30, 2016	1,500,000	

13. RELATED PARTY DISCLOSURES

During the current year, certain directors, officers and employees of the Company exercised the outstanding share options as at September 30, 2016 acquiring 1,500,000 shares for total proceeds of $698,000. Included with these shares were 200,000 shares and proceeds of $91,000 related to a management entity that provided key management personnel services to the Company.

In the year ended September 30, 2016, directors, officers and employees exercised 4,530,000 share options acquiring 4,530,000 shares for total proceeds of $1,774,675. Included with these shares were 400,000 shares and proceeds of $148,000 related to management entities that provided key management personnel services to the Company.

Transactions with related parties were conducted in the normal course of operations.

(EXPRESSED IN CANADIAN DOLLARS)

14. KEY MANAGEMENT COMPENSATION

Key management includes the Chief Executive Officer, Chief Financial Officer and directors of the Company.

The compensation payable to key management is shown below:

Years ended September 30		2017		2016
Salaries	$	**157,012**	$	268,000
Director fees		**107,500**		319,000
	$	**264,512**	$	587,000

15. INCOME TAXES

The Company’s income tax provision differs from the amount resulting from the application of the Canadian statutory income tax rate of 26.5%. A reconciliation of the combined Canadian federal and provincial income tax rates with the Company’s effective tax rate is as follows:

		2017		2016
Net income (loss) before income taxes	$	**(2,042,634)**	$	81,627,835
Expected income tax recovery (expense) before adjustments		**541,298**		(21,631,250)
Non-deductible expenses and other		**(16,255)**		(1,222,000)
Derecognition of temporary difference on liquidation provision		**(384,250)**		-
Recoverable tax loss carry back		**402,058**		-
Changes in estimates related to the prior year		**93,069**		-
Non-taxable income		**-**		14,978,000
Utilization of tax attributes not previously tax benefited		**-**		7,331,000
Recognition of deferred tax expense on sale of investments		**(55,786)**		-
Other		**(2,076)**		21,000
Withholding tax expense		**-**		(416,000)
Income tax recovery (expense)	$	**578,058**	$	(939,250)

The Company's deferred and current tax activity for the years ended September 30, 2017 and 2016 is as follows:

Income tax recovery (expense)		2017		2016
Current tax recovery	$	**495,127**	$	(1,125,000)
Deferred tax recovery (expense)		**138,717**		185,750
Income tax recovery (expense)		**633,844**		(939,250)
Deferred tax recognized in other comprehensive income (Note 7)		**(55,786)**		-
	$	**578,058**	$	(939,250)

At September 30, 2017 and 2016 there is $Nil of Canadian non-capital tax loss and $588,065 (2016 - $545,000) of Netherlands tax losses which expires from 2019 to 2027. The deductible temporary differences do not expire under current tax legislation. There is also $4,181,095 of Canadian net capital loss that may be carried forward indefinitely, but can only be used to reduce capital gains.

16. CONTINGENT LIABILITIES AND COMMITMENTS

a) Netherlands Preliminary Tax Assessment - On February 15, 2017 the Company received an income tax reassessment from the Netherlands tax authority reassessing the Company's subsidiary KRBV for an amount payable of 3.3 million euros (CAD$4.9 million). This reassessment was pursuant to management challenging an earlier preliminary assessment for an amount payable by KRBV of 11.4 million euros. The preliminary tax assessment and the reassessment were both issued before KRBV had filed its 2016 tax return and as such are based on incomplete information. Based on tax professionals advice, management is of the opinion that the reassessed amount payable of 3.3 million euros (CAD$4.9 million) continues to be an over assessment. The 2016 tax return has since been filed and management believes that this issue will be resolved when the Netherlands tax authority has the opportunity to review all the facts. As a result, no provision has been made for this reassessment in these consolidated financial statements.

b) Former Officer Claim - In October 2017, the former Chief Executive Officer has filed a $675,000 claim for severance and damages against the Company and the Company has counter-sued as it believes severance is not appropriate. No provision has been made for the claim in these consolidated financial statements.

17. FINANCIAL RISK FACTORS

Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers capital from two perspectives: its working capital position and its capital stock, warrant, and stock option components of its shareholders' equity.

At September 30, 2017, the Company has a working capital of $7,020,830 (September 30, 2016 - $84,100,799); Capital stock and contributed surplus total $19,403,571 (September 30, 2016 - $95,347,082).

To effectively manage the Company's capital requirements, the management has in place a rigorous planning, budgeting and forecasting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company ensures that there are sufficient working capital and planned future capital raises to meet its short-term business requirements, taking into account its anticipated cash flow from operations and its holding of cash and cash equivalents and short-term investments.

At September 30, 2017, the Company expects its capital resources and projected future cash flows from financing to support its normal operating requirements on an ongoing basis and other expansionary plans.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended September 30, 2017.

Risk Disclosures

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business.

17. FINANCIAL RISK FACTORS (Continued)

Credit Risk

The Company has cash and cash equivalents balance of $6,640,541 (September 30, 2016 - $84,814,284). The Company's current policy is to invest excess cash in investment grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. There is no significant credit risk with respect of receivables.

Interest Rate Risk

The Company has no exposure to interest rate risk since there are no outstanding debts or other payables subject to interest charges at the end of the years 2016 and 2017.

Foreign Currency Risk

The Company is exposed to foreign currency risk on financial assets and liabilities that are denominated in a currency other than the Canadian dollar. The currency giving rise to this risk is primarily the U.S. dollar, the balance of net monetary assets in such currency as of September 30, 2017 is $1,214,545 (September 30, 2016 - $1,607,768).

Liquidity Risk

The Company is exposed to liquidity risk primarily as a result of its trade accounts payable. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2017, the Company had a cash and cash equivalents balance of $6,640,541 (September 30, 2016 - $84,814,284) to settle current liabilities of $56,181 (September 30, 2016 - $1,266,968). All of the Company's trade accounts payable have contractual maturities of less than 30 days and are subject to normal trade terms.

Sensitivity Analysis

As at September 30, 2017 and 2016, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Based on management's knowledge and experience of the financial markets, the Company believes the following movement is "reasonably possible" over a twelve-month period.

i) The Company is exposed to foreign currency risk on fluctuations of balances that are denominated in US currency related to cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. Sensitivity to a plus or minus 10% change in the foreign exchange rate would affect the net comprehensive loss by $121,455.

ii) The Company is exposed to market risk as it relates to its investments held in marketable securities. If market prices had varied by 10% from their September 30, 2016 fair market value positions, the comprehensive loss would have varied by $26,382.

Fair Value Hierarchy

Accounts payable and accrued liabilities are considered as other financial liabilities, which are measured at amortized cost which also approximates fair value.

(EXPRESSED IN CANADIAN DOLLARS)

17. FINANCIAL RISK FACTORS (Continued)

The following summarizes the methods and assumptions used in estimating the fair value of the Company's financial instruments where fair value measurement is required. Fair value amounts represent point in time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. The methods and assumptions used to develop fair value measurements, for those financial instruments where fair value is recognized in the balance sheet, have been prioritized into three levels as per the fair value hierarchy.

Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs that are observable other than quoted prices included in level one. Level three includes inputs that are not based on observable market data. The carrying value of cash and cash equivalents and investments approximate their fair value.

September 30, 2017:	Level One	Level Two	Level Three
Cash and cash equivalents	$ 1,630,152	$ -	$ -
Short-term investments	5,010,389	-	-
Restricted cash	-	52,250	-
	$ 6,640,541	**$ 52,250**	**$ -**

September 30, 2016:	Level One	Level Two	Level Three
Cash and cash equivalents	$ 4,814,174	$ -	$ -
Short-term investments	80,000,110	-	-
Investments	-	263,823	-
Restricted cash	-	52,250	-
	$ 84,814,284	**$ 316,073**	**$ -**

There have been no transfers between levels 1, 2 or 3 during the periods.