atom energy inc

(An Exploration Stage Company)

Financial Statements

Years ended August 31, 2016 and 2015

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Atom Energy Inc.

We have audited the accompanying financial statements of Atom Energy Inc., which comprise the statements of financial position as at August 31, 2016 and 2015 and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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, these financial statements present fairly, in all material respects, the financial position of Atom Energy Inc. as at August 31, 2016 and 2015 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 financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Atom Energy Inc.'s ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

November 29, 2016

ATOM ENERGY INC.
(An Exploration Stage Company)
Statements of Financial Position
(Expressed in Canadian dollars)
AS AT

	Notes		August 31, 2016		August 31, 2015
ASSETS					
Current assets					
Cash		**$**	**21,281**	$	226
Receivables	4		**1,731**		2,672
Total current assets			**23,012**		2,898
TOTAL ASSETS		**$**	**23,012**	$	2,898
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**633,929**	$	497,579
Notes payable	6		**20,000**		-
TOTAL LIABILITIES			**653,929**		497,579
SHAREHOLDERS' DEFICIENCY					
Share capital	8		**10,861,874**		10,861,874
Reserves	9		**950,784**		950,784
Accumulated deficit			**(12,443,575)**		(12,307,339)
TOTAL SHAREHOLDERS' DEFICIENCY		**$**	**(630,917)**	$	(494,681)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY		**$**	**23,012**	$	2,898

Nature and continuance of operations (Note 1)

Subsequent event (Note 16)

On behalf of the Board of Directors:

"John Veltheer" Director *"D. Barry Lee"* Director

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

ATOM ENERGY INC.
(An Exploration Stage Company)
Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Notes	Year Ended August 31, 2016	Year Ended August 31, 2015
EXPENSES			
Bank charges and interest		**$ 1,435**	$ 863
Consulting		**1,405**	20,699
Investor relations		**1,068**	4,173
Management fees	10	**36,000**	53,400
Office and miscellaneous		**34,316**	36,236
Professional fees		**22,022**	27,697
Rent		**33,000**	36,000
Regulatory and filing fees		**6,344**	18,088
Travel		**646**	566
		$ (136,236)	$ (197,722)
Write-off of exploration and evaluation assets	5	**-**	(7,912,883)
Termination costs of exploration and evaluation assets	5	**-**	(353,939)
		$ -	$ (8,266,822)
Loss for the year before income taxes		**(136,236)**	(8,464,544)
Deferred tax recovery	15	**-**	13,000
Net loss and comprehensive loss for the year		**$ (136,236)**	$ (8,451,544)
Basic and diluted loss per common share	7	**$ (0.15)**	$ (9.25)
Basic and diluted weighted average number of common shares outstanding	8	**913,727**	913,727

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

ATOM ENERGY INC.
(An Exploration Stage Company)
Statement of Changes in Shareholders' Equity (Deficiency)
(Expressed in Canadian dollars)

	Share Capital				
	Number of Shares	**Amount($)**	**Reserves($)**	**Accumulated Deficit($)**	**Total($)**
Balance at August 31, 2014	913,727	10,861,874	950,784	(3,855,795)	7,956,863
Net loss for the year	-	-	-	(8,451,544)	(8,451,544)
Balance at August 31, 2015	913,727	10,861,874	950,784	(12,307,339)	(494,681)
Net loss for the year	-	-	-	(136,236)	(136,236)
Balance at August 31, 2016	**913,727**	**10,861,874**	**950,784**	**(12,443,575)**	**(630,917)**

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

ATOM ENERGY INC.
(An Exploration Stage Company)
Statements of Cash Flows
(Expressed in Canadian dollars)

	Year Ended August 31, 2016 ($)	Year Ended August 31, 2015 ($)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	**(136,236)**	(8,451,544)
Items not affecting cash		
Deferred income tax recovery	**-**	(13,000)
Write-off of exploration and evaluation assets	**-**	7,912,883
Changes in non-cash working capital items:		
Decrease in receivables	**941**	10,465
Decrease (increase) in prepaids	**-**	24,499
Increase (decrease) in accounts payable and accrued liabilities	**136,350**	469,001
Net cash used in operating activities	**1,055**	(47,696)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	**20,000**	-
Net cash used in financing activities	**20,000**	-
Change in cash during the year	**21,055**	(47,696)
Cash, beginning of the year	**226**	47,922
Cash, end of the year	**21,281**	226

Supplemental disclosure with respect to cash flows (Note 13)

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

1. Nature and continuance of operations

Atom Energy Inc. (the "Company") was incorporated under the Business Corporations Act (BC) on June 6, 2007. The offices of the Company are located at Suite 818 – 700 West Georgia Street, Vancouver, BC V7Y 1B6. The Company trades on the NEX board of the TSX Venture Exchange under the symbol 'AGY.H'. The Company's principal business activity is the exploration and development of uranium properties in Canada.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

The Company has suspended its exploration and development plans due to the lack of funding as the challenges in the capital markets for junior exploration companies continues. Additionally, the continued low pricing for uranium on the global market has created an environment of uncertainty within the uranium sector as to the viability of economic development of any new uranium projects. The current market conditions and volatility, combined with the Company's cumulative operating losses and significant working capital deficiency cast significant doubt upon the Company's ability to continue as a going concern.

On September 21, 2016 the Company consolidated its share capital on the basis of one post-consolidation common share for each seven and one half of one pre-consolidation common share. All references to the number of common shares and per share amounts have been retroactively restated to give effect to the consolidation.

The financial statements were authorized for issue on November 29, 2016 by the Board of Directors of the Company.

2. Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards board ("IASB") and the interpretations of the International Financial Reporting Interpretations committee ("IFRIC"). The accounting policies applied in these financial statements are based on IFRS issued and in effect as of August 31, 2016.

The financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit or loss, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The Company's reporting currency and the functional currency is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

Significant accounting judgments, estimates and assumptions

The preparation of these 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 reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. Significant accounting policies (cont'd)

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

<u>Critical accounting judgments</u>

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments.

The preparation of our financial statements requires us to make judgments regarding the going concern of the Company as discussed in Note 1.

Cash and cash equivalents

Cash is comprised of cash on hand and demand deposits.

Foreign currency translation

Transactions in foreign currencies are translated at the exchange rate in effect at the date of the transaction. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates prevailing at the financial position reporting date. Exchange gains or losses arising on foreign currency translation are reflected in profit or loss for the period.

Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently re-measured. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into Canadian dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in net income or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

Mineral exploration and evaluation expenditures

a) Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

b) Exploration and evaluation expenditures

Exploration and evaluation expenditures 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 in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits 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 at each reporting date if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

2. Significant accounting policies (cont'd)

Mineral exploration and evaluation expenditures **(cont'd)**

b) *Exploration and evaluation expenditures* (cont'd)

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Mineral exploration and evaluation expenditures are classified as intangible assets.

Property option agreements

From time to time, the Company may acquire or dispose of a property pursuant to the terms of a property option agreement. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

Decommissioning, restoration and similar liabilities ("Asset Retirement Obligation" or "ARO")

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of exploration and evaluation assets. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the ARO in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the ARO.

The increase in the provision due to the passage of time is recognized as interest expense.

The Company had no ARO as at August 31, 2016 and 2015.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions for environmental restoration, legal claims, onerous leases and other onerous commitments are recognized at the best estimate of the expenditure required to settle the Company's liability.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. An amount equivalent to the discounted provision is capitalized within tangible fixed assets and is depreciated over the useful lives of the related assets. The increase in the provision due to passage of time is recognized as interest expense.

2. Significant accounting policies (cont'd)

Impairment of assets

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate and its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Assets that have an indefinite useful life are not subject to amortization and are tested at each reporting period for impairment.

Financial instruments

a) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, available-for-sale.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash is classified as FVTPL.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 (twelve) months after the end of the reporting period. These are classified as non-current assets. The Company's receivables are classified as loans and receivables.

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 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 (twelve) months after the end of the reporting period. The Company has not classified any of its financial instruments as held-to-maturity.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses. The Company has not classified any of its financial instruments as available-for-sale financial assets.

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

2. Significant accounting policies (cont'd)

Financial instruments (cont'd)

b) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. The Company has not classified any financial liabilities as FVTPL.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Share capital

The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are charged directly to share capital.

Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, that investors pay for the flow through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Lookback Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

2. Significant accounting policies (cont'd)

Share-based payments

The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

Loss per share

The Company presents basic loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Income taxes

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

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

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

Comprehensive income (loss)

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. For the years presented, comprehensive loss was the same as net loss.

(Expressed in Canadian dollars)

3. New standards, amendments, and interpretations not yet effective

On September 1, 2015, the Company adopted the Amendment to IFRS 7. There were no adjustments required due to the adoption of this amendment.

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

i. IFRS 9: New standard that replace IFRIC 9 and IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018.
ii. IFRS 15: Revenue from Contracts from Customers (new, to replace IAS 11, IAS 18, IFRIC 13 and IFRIC 15) effective for annual periods beginning on or after January 1, 2018; and
iii. IFRS 16: Leases. Effective for annual periods beginning on or after January 1, 2019.

The Company does not expect the impact of such changes on the financial statements to be material.

4. Receivables

As at August 31, 2016, the Company's amount receivable of $1,731 (2015: $2,672) is comprised of Goods and Services Tax / Harmonized Sales Tax ("GST") receivable due from government taxation authorities.

5. Exploration and evaluation assets

The Company has investigated ownership of its mineral interests and, to the best of its knowledge; ownership of its interests are in good standing. Ownership of exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from difficulties in obtaining conveyance in mineral interests.

The Company's exploration and evaluation assets consist of:

	McCarthy Lake	Keefe Lake	Other	Total
Balance, August 31, 2014	$ 1,296,276	$ 5,825,851	$ 790,756	$ 7,912,883
Less: write-off of exploration and evaluation assets	(1,296,276)	(5,825,851)	(790,756)	(7,912,883)
Balance, August 31, 2016 and 2015	**$ -**	**$ -**	**$ -**	**$ -**

McCarthy Lake Project

The Company owns a 100% interest in and to the mineral rights underlying the prospective uranium property known as the McCarthy Lake Property located in the Athabasca Basin region of northeast Saskatchewan, originally subject to a 2.5% net smelter returns (NSR) royalty.

At year-end 2015, it was determined that the McCarthy Lake property was impaired; as a result, the book value of $1,296,276 was written-off on the statement of loss and comprehensive loss for the year ended August 31, 2015.

During the year ended August 31, 2016, the Company exchanged a percentage of its Keefe Lake mineral claims under option for the return of the 2.5% NSR royalty at McCarthy Lake (see *Keefe Lake Project* below), giving the Company 100% ownership of the McCarthy Lake property, free of all royalties and encumbrances.

5. Exploration and evaluation assets (cont'd)

Keefe Lake Project

The Keefe Lake Project comprises four contiguous claims formerly under option in the Athabasca Basin region.

During the year ended August 31, 2015, option agreements on the Keefe Lake Project properties known as the Volhoffer and Hodges Lake claims were terminated by the Company in order to reduce its exploration commitments and preserve cash. Following those terminations, on October 19, 2015, the Company terminated the agreement on the remaining claims comprising the Keefe Lake Project in exchange for a NSR royalty of 1% on the Keefe Lake claims and the return of its 2.5% NSR on the McCarthy Lake claims, plus an option to earn a reduced working interest of 22.5% in the Keefe Lake property by way of a new Keefe Lake Earn-in Agreement. Under the Earn-In Agreement, the Company can earn a 22.5% working interest the property by expending $292,500 in exploration in a joint operation and making a cash payment of $337,500 to the vendor by July 16, 2016. As the Company no longer had the ability to earn a 100% interest in the Keefe Lake claim group, the Project was determined to be impaired, and the entire book value of $5,825,851 was written-off on the statement of loss and comprehensive loss at year-end August 31, 2015.

On July 15, 2016, the vendor of the Keefe Lake properties granted the Company an extension in order for the Company to meet the commitments under the Keefe Lake Earn-In Agreement. On August 26, 2016, as the Company was unable to secure the requisite financing to exercise the option to purchase the Keefe Lake interest, the Keefe Lake Earn-in Agreement expired. The Company no longer has any interest in the Keefe Lake claims.

6. Notes payable

During the year ended August 31, 2016, the Company received loans totaling $20,000 from various lenders under a series of promissory notes. The notes are unsecured, have no fixed terms of repayment and bear simple interest at 1.5% per month.

7. Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended August 31, 2016 and 2015 were based on the loss attributable to common shareholders of $136,236 (2015: $8,451,544) and the weighted average number of common shares outstanding of 913,727 (2015: 913,727).

8. Share capital

Authorized share capital

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value.

Issued share capital

At August 31, 2016 and 2015, there were 913,727 issued and fully paid common shares and nil preferred shares.

Please refer to the Statement of Changes in Shareholders' Equity for a summary of changes in share capital and reserves for the year ended August 31, 2016. Reserves relate to stock options, agent's unit options, and compensation warrants that have been issued by the Company.

Warrants

As at August 31, 2016 and 2015, there were nil share purchase warrants outstanding.

(Expressed in Canadian dollars)

9. Share-based payments

Stock options

The Company has adopted a "rolling" stock option plan (the "Plan"), pursuant to which a maximum of 10% of the issued and outstanding common shares of the Company, less any outstanding stock options previously granted, will be reserved for issuance as options and will be granted at the discretion of the Board of Directors to eligible optionees under the Plan. Stock options granted vest at the discretion of the Board of Directors. The options can be granted for a maximum term of 5 years.

As at August 31, 2016 and 2015, there were nil options outstanding.

10. Related party transactions

The Company entered into the following transactions with key management personnel, being those persons determined as having authority and responsibility for planning, directing and controlling the activities of the Company. Key management includes the Company's board of directors and executive officers.

	Year ended	
	August 31, 2016	**August 31, 2015**
Fees paid or accrued to a company controlled by the CFO	$ 36,000	$ 48,000
Fees paid to a company controlled by the former CEO	-	5,400
	$ 36,000	$ 53,400

The transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at August 31, 2016, $119,813 (2015: $52,066) is due to the CFO or to a company controlled by the CFO of the Company, which is unsecured, has no stated terms of repayment and is non-interest bearing. $5,000 (2015: Nil) is due to the CEO pursuant to a loan provided to the Company (see Note 6), which is unsecured, has no stated terms of repayment and bears simple interest at 1.5% per month.

11. Management of capital

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's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its exploration and evaluation assets, acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes its components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or adjust the amount of cash and equivalents and investments.

At this stage of the Company's development, in order to maximize ongoing development efforts, the Company does not pay out dividends. 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 August 31, 2016. The Company is not subject to externally imposed capital requirements.

12. Financial risk management

International Financial Reporting Standards 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels, with cash classified as Level 1:

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

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

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at August 31, 2016, the carrying values of receivables and accounts payable and accrued liabilities approximate their fair values due to their short terms to maturity.

The Company is exposed to Credit, Liquidity and Market risks from its use of financial instruments, as follows:

Credit risk

The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash consists of accounts at a reputable financial institution, from which management believes the risk of loss to be remote. Federal deposit insurance covers balances of up to $100,000 in Canada. Financial instruments included in receivables consist of amounts due from government agencies. The Company limits its exposure to credit loss for cash by placing its cash with a high quality financial institution. At August 31, 2016, the Company's exposure to credit risk is minimal.

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 a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

At August 31, 2016, the Company had a cash balance of $21,281 (2015: $226) to settle the notes payable, accounts payable and accrued liabilities of $653,930 (2015: $497,579).

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest risk

The Company has cash balances and notes payable bearing interest at 1.5% per month. 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. At August 31, 2016 and 2015, the Company has $nil in investment-grade short-term deposit certificates.

b) Foreign currency risk

Foreign currency risk is the risk that variation in exchange rates between the Canadian dollar and a foreign currency will affect the Company's operating and financial results. The Company does not have any balances or transactions denominated in a foreign currency.

c) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

13. Segment information

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. The Company conducts all of its operations in Canada, and its property is located in Canada.

(Expressed in Canadian dollars)

14. Supplemental disclosure with respect to cash flows

	Year ended	
	August 31, 2016	**August 31, 2015**
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ -	$ -

There were no significant non-cash transactions during the year ended August 31, 2016 and 2015.

15. Income taxes

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2016	**2015**
Earnings (loss) for the year	$ (136,236)	$ (8,464,544)
Expected income tax (recovery)	$ (35,000)	$ (2,201,000)
Change in unrecognized deductible temporary differences	35,000	2,188,000
Total income tax expense (recovery)	**$ -**	**$ (13,000)**
Current income tax	**$ -**	**$ -**
Deferred tax recovery	**$ -**	**$ (13,000)**

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

	2016	**2015**
Deferred Tax Assets (liabilities)		
Exploration and evaluation assets	$ 1,186,000	$ 1,186,000
Share issue costs	5,000	12,000
Non-capital losses available for future period	1,032,000	990,000
	2,223,000	2,188,000
Unrecognized deferred tax assets	(2,223,000)	(2,188,000)
Net deferred tax assets	**$ -**	**$ -**

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	2016	**Expiry Date Range**	**2015**	**Expiry Date Range**
Temporary Differences				
Exploration and evaluation assets	$ 4,508,000	No expiry date	$ 4,508,000	No expiry date
Investment tax credit	18,000	2017 to 2036	18,000	2020 to 2033
Share issue costs	18,000	2017 to 2020	45,000	2034 to 2037
Non-capital losses available for future period	3,970,000	2017 to 2036	3,807,000	2016 to 2035

Tax attributes are subject to review, and potential adjustment, by tax authorities.

16. Subsequent event

On September 21, 2016, the Company consolidated its share capital at a ratio of 1 (one) new share for each 7.5 (seven and one half) old shares. The Company's new CUSIP and ISIN numbers are 049613201 and CA0496132014, respectively.