CANADIANOREBODIES

**Condensed Interim Financial Statements**

**For the Three and Nine Months Ended**

**October 31, 2016**

**(expressed in Canadian dollars)**

**(Unaudited)**

Responsibility for Financial Statements

The auditors of Canadian Orebodies Inc. have not performed a review of the unaudited condensed interim financial statements for the three and nine months ended October 31, 2016.

**Canadian Orebodies Inc.**
**Condensed Interim Statements of Financial Position**
(unaudited)

| As at | October 31, 2016 | January 31, 2016 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents *(note 5)* | $ 5,332,253 | $ 702,875 |
| Short term investments *(note 6)* | 500,000 | - |
| Marketable securities *(note 6)* | 4,000 | 6,000 |
| Accounts receivable | 50,703 | 5,219 |
| Prepaid expenses | 45,421 | 4,794 |
| Exploration advances | 20,000 | - |
| **Total Assets** | $ 5,952,377 | $ 718,888 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | $ 138,597 | $ 24,809 |
| **Shareholders' Equity** | | |
| Share capital *(note 8)* | 26,677,763 | 21,662,816 |
| Contributed surplus *(note 9)* | 5,144,925 | 4,898,210 |
| Warrants *(note 10)* | 648,701 | - |
| Accumulated deficit | (26,657,609) | (25,866,947) |
| | 5,813,780 | 694,079 |
| **Total Equity and Liabilities** | $ 5,952,377 | $ 718,888 |

Subsequent events *(note 14)*

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

**Canadian Orebodies Inc.**
**Condensed Interim Statements of Operations and Comprehensive Loss**
(unaudited)

| | Three months ended October 31, 2016 | Three months ended October 31, 2015 | Nine months ended October 31, 2016 | Nine months ended October 31, 2015 |
|---|---|---|---|---|
| **Expenses** | | | | |
| Exploration expenditures *(note 7)* | $ 373,802 | $ 3,678 | $ 506,839 | $ 13,678 |
| Management and administrative services *(note 12)* | 88,950 | 88,951 | 274,225 | 272,198 |
| Professional and consulting fees | 65,179 | 16,774 | 85,050 | 23,216 |
| Office and administration | 20,641 | 10,113 | 49,168 | 39,759 |
| Shareholder information | 22,136 | 11,425 | 33,138 | 23,197 |
| Share based compensation *(note 9 and 12)* | - | - | 246,715 | - |
| Recovery of exploration expenditures *(note 7)* | - | (2,500) | - | (2,500) |
| Loss (gain) on sale of marketable securities | - | (7,710) | (2,000) | 29,708 |
| Interest income | (8,245) | (70) | (10,473) | (349) |
| Recovery on sale of mineral properties *(note 7)* | - | - | (392,000) | - |
| **Net loss for the period** | (562,463) | (120,661) | (790,662) | (398,907) |
| **Other comprehensive (loss) income** | | | | |
| Items that will subsequently be reclassified to profit or loss: | | | | |
| Unrealized gain (loss) on available-for-sale marketable securities arising during the period | (8,000) | 15,724 | 2,000 | (8,016) |
| Items reclassified to profit or loss: | | | | |
| Realized (gain) loss | - | (7,710) | (2,000) | 29,708 |
| | (8,000) | 8,014 | - | 21,692 |
| **Total comprehensive loss for the period** | $ (570,463) | $ (112,647) | $ (790,662) | $ (377,215) |
| **Basic and diluted net loss per share** *(note 11)* | $ (0.003) | $ (0.004) | $ (0.007) | $ (0.012) |

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

**Canadian Orebodies Inc.**
**Condensed Interim Statements of Cash Flows**
(unaudited)

| For the nine months ended October 31, | 2016 | 2015 |
|---|---|---|
| **Operating Activities** | | |
| **Net loss** | $ (790,662) | $ (398,907) |
| Items not affecting cash and cash equivalents from operating activities: | | |
| Interest income | (10,473) | (349) |
| Share based compensation | 246,715 | - |
| Loss (gain) on sale of marketable securities | (2,000) | 29,708 |
| Shares issued for mineral properties | 60,000 | 10,000 |
| **Changes in non-cash working capital items** | | |
| Accounts receivable | (45,484) | (1,984) |
| Prepaids and deposits | (40,627) | (1,390) |
| Exploration advances | (20,000) | - |
| Accounts payable and accrued liabilities | 113,788 | 94,185 |
| | (488,743) | (268,737) |
| **Financing Activities** | | |
| Issue of common shares | 5,757,480 | - |
| Share issue costs | (153,832) | - |
| | 5,603,648 | - |
| **Investing Activities** | | |
| Sale of marketable securities | 4,000 | 181,792 |
| Purchase of short term investments | (500,000) | - |
| Interest income | 10,473 | 349 |
| | (485,527) | 182,141 |
| **Net change in cash and cash equivalents** | 4,629,378 | (86,596) |
| **Cash and cash equivalents, beginning of period** | 702,875 | 199,778 |
| **Cash and cash equivalents, end of period** | $ 5,332,253 | $ 113,182 |

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

**Canadian Orebodies Inc.**
**Condensed Interim Statements of Changes in Equity**
(unaudited)

| | Share Capital | | Reserves | | | | |
|---|---|---|---|---|---|---|---|
| | *(note 8)* Number of shares | Amount | Contributed surplus | Warrants | Accumulated other comprehensive (loss) income | Accumulated Deficit | Total |
| **Balance, January 31, 2015** | **32,724,059** | **$ 20,647,230** | **$ 4,898,210** | **$ -** | **$ (27,692)** | **$(25,388,648)** | **$ 129,100** |
| Issued for mineral properties | 200,000 | 10,000 | - | - | - | - | 10,000 |
| Unrealized loss on marketable securities | - | - | - | - | (8,016) | 8,016 | - |
| Reclassification of realized loss on marketable securities | - | - | - | - | 29,708 | (29,708) | - |
| Comprehensive loss for the period | - | - | - | - | - | (377,215) | (377,215) |
| **Balance, October 31, 2015** | **32,924,059** | **$ 20,657,230** | **$ 4,898,210** | **$ -** | **$ (6,000)** | **$(25,787,555)** | **$ (238,115)** |
| Private placements | 36,175,000 | 723,500 | - | - | - | - | 723,500 |
| Cost of issue of private placements | - | (35,175) | - | - | - | - | (35,175) |
| Conversion of due to related party *(note 12)* | 11,651,784 | 233,035 | - | - | - | - | 233,035 |
| Share-based compensation | 4,211,281 | 84,226 | - | - | - | - | 84,226 |
| Unrealized gain on marketable securities | - | - | - | - | 8,016 | (8,016) | - |
| Reclassification of realized gain on marketable securities | - | - | - | - | (2,016) | 2,016 | - |
| Comprehensive loss for the period | - | - | - | - | - | (73,392) | (73,392) |
| **Balance, January 31, 2016** | **84,962,124** | **$ 21,662,816** | **$ 4,898,210** | **$ -** | **$ -** | **$(25,866,947)** | **$ 694,079** |
| Private placements | 95,957,999 | 5,176,933 | - | - | - | - | 5,176,933 |
| Value of private placements attributed to warrants | - | - | - | 580,546 | - | - | 580,546 |
| Cost of issue of private placements | - | (221,986) | - | 68,155 | - | - | (153,831) |
| Issued for mineral properties *(note 7)* | 1,312,500 | 60,000 | - | - | - | - | 60,000 |
| Share-based compensation | - | - | 246,715 | - | - | - | 246,715 |
| Unrealized gain on marketable securities | - | - | - | - | 2,000 | (2,000) | - |
| Reclassification of realized gain on marketable securities | - | - | - | - | (2,000) | 2,000 | - |
| Comprehensive loss for the period | - | - | - | - | - | (790,662) | (790,662) |
| **Balance, October 31, 2016** | **182,232,623** | **$ 26,677,763** | **$ 5,144,925** | **$ 648,701** | **$ -** | **$(26,657,609)** | **$ 5,813,780** |

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

## 1. Nature of Operations

Canadian Orebodies Inc. (the "Company") was incorporated pursuant to the provision of the Business Corporations Act (of Alberta) on January 28, 2008 ("Inception Date"). On July 21, 2008, the Company was authorized to continue its operations from the jurisdiction of Alberta to Ontario. Its principal business activity is the exploration of mineral properties. The address of the Company's registered office is 141 Adelaide Street West, Suite 301, Toronto, Ontario M5H 3L5. The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amount expended on mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of such properties.

## 2. Basis of presentation and statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the IASB. Accordingly, they do not include all of the information required for full annual financial statements as required by IFRS. These condensed interim financial statements should be read in conjuction with the Company's audited annual financial statements for the year ended January 31, 2016.

These condensed interim financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business, and on a historical cost basis except for the revaluation of certain financial instruments. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The condensed interim financial statements were approved by the Board of Directors on December 20, 2016.

## 3. Significant accounting policies

The financial framework and accounting policies applied in the preparation of these unaudited condensed interim financial statements are consistent with those as disclosed in the most recently completed audited annual financial statements for the year ended January 31, 2016.

### *(a) Changes in accounting policies*

The Company did not adopt any new accounting policies during the nine months ended October 31, 2016.

### *(b) Future changes in accounting standards not yet adopted*

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt those standards when they become effective.

## 3. Significant accounting policies - continued

### *(b) Future changes in accounting standards not yet adopted - continued*

**IFRS 9 - Financial Instruments**

*IFRS 9, Financial Instruments ("IFRS 9")* was issued in its final form by the IASB in July 2014 and will replace *IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39")*. IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

## 4. Critical accounting estimates and significant judgements

The preparation of these financial statements requires management to make judgments and estimates 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 judgments and estimates. The financial statements include judgments and estimates which, by their nature, are uncertain. The impacts of such judgments and 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 also in future periods when the revision affects both current and future periods.

## 5. Cash and cash equivalents

Cash and cash equivalents include money market instruments which are readily convertible into cash or have maturities at the date of purchase of less than ninety days. The breakdown of cash and cash equivalents was:

| | **October 31, 2016** | **January 31, 2016** |
|---|---|---|
| Cash | $ 176,876 | $ 636,797 |
| Money market instruments | 5,155,377 | 66,078 |
| | **$ 5,332,253** | **$ 702,875** |

## 6. Short Term Investments and Marketable Securities

Short term investments include investment grade guaranteed investment certificates ("GIC") which marture in less than one year, but greater than three months. As at October 31, 2016, the Company held GICs issued by a Canadian Chartered bank in the amount of $500,000 (January 31, 2016 - $ nil ).

During the nine months ended October 31, 2016, the Company sold a portion of its equity securities for gross proceeds of $4,000. The following is a summary of the Company's marketable securities:

| | October 31, 2016 | January 31, 2016 |
|---|---|---|
| Equity securities | $ 4,000 | $ 6,000 |

## 7. Mineral Properties and Exploration Expenditures

The total cumulative expenditures, net of recoveries, on each active property in the Company's mineral property portfolio are as follows:

| | Hemlo North Limb | Hemlo Wire Lake | Belcher Islands Iron | Lithium & Rare Metals | Trump & Hawkins | Total |
|---|---|---|---|---|---|---|
| **January 31, 2016** | **$ -** | **$ -** | **$ 14,197,416** | **$ 1,295,724** | **$ 726,984** | **$ 16,220,124** |
| Expenditures | 360,082 | 125,764 | 3,678 | 17,315 | - | 506,839 |
| Recoveries | - | - | - | (320,000) | (72,000) | (392,000) |
| Disposals | - | - | - | - | (654,984) | (654,984) |
| **October 31, 2016** | **$ 360,082** | **$ 125,764** | **$ 14,201,094** | **$ 993,039** | **$ -** | **$ 15,679,979** |

** Disposal indicates the Company no longer holds an interest in the respective property, excluding royalty interests, and as such the cumulative expenditure has been eliminated.*

### Hemlo Area Projects

*North Limb Property*

On May 24, 2016, the Company purchased a 100% interest in 135 claim units comprising 2,160 hectares approximately 40 kilometers northeast of Marathon, Ontario. As consideration, the Company paid a total of $25,000 in cash and issued 500,000 common shares valued at $25,000. In addition, the vendors retain a 1% Net Smelter Return ("NSR") royalty on the purchased claims.

In addition to the purchased claims, the Company staked 278 claim units totaling 4,448 hectares.

## 7. Mineral Properties and Exploration Expenditures - continued

### Hemlo Area Projects - continued

*Wire Lake Property*

On October 7, 2016, the Company entered into an option agreement with All-Terrain Track Sales & Services Ltd. ("ATTSS") to acquire a 100% interest in 251 claim units comprising 4,047 hectares approximately 15 kilometers northeast of Marathon, Ontario. On signing, the Company paid $40,000 in cash and issued 312,500 common shares valued at $25,000. The option agreement calls for the Company to make additional cash payments to ATTSS totaling $550,000 over the following five anniversary dates of the option agreement as detailed below:

- (i) 2017 - $100,000;
- (ii) 2018 - $100,000;
- (iii) 2019 - $100,000;
- (iv) 2020 - $150,000; and
- (v) 2021 - $100,000.

ATTSS may elect to receive payment in common shares of the Company in lieu of cash at their discretion. Upon completion of the option agreement, the Company will grant ATTSS a 2% NSR royalty, one-half of which may be bought back for a lump sum payment of $1,000,000.

In addition to the optioned claims, the Company staked 39 claims units totaling 624 hectares.

### Belcher Islands Iron Project

On February 14, 2011 the Company entered into a non-arm's length Purchase Agreement (the "Agreement") to acquire up to a 100% legal and beneficial interest in the Inuit Owned Lands Mineral Exploration Agreement (the "NTI Agreement") with Nunavut Tunngavik Incorporated ("NTI") which covers the Haig Inlet Iron Project with an area of approximately 1,226 hectares, located on the Belcher Islands, Nunavut, Canada (the "Property"). The Company now holds a 100% interest in the NTI Agreement and the vendors retain a 3% gross overriding royalty, of which one-third can be purchased by the Company for a maximum of $3,000,000. In addition to the lands acquired under the Agreement, the Company staked 29 claims covering 21,816 hectares of Municipal Land.

### Lithium & Rare Metals

*Falcon Lake & Zig Zag Properties*

On November 20, 2009, the Company entered into an option agreement to acquire a 100% interest in various mining claims known as the Falcon Lake and Barbara Lake Properties that make up its lithium and rare metals properties. The vendor retains a 2% NSR on the property, one-half of which can be purchased for $1,000,000.

## 7. Mineral Properties and Exploration Expenditures - continued

### Lithium & Rare Metals - continued

On March 3, 2010, the Company signed a property acquisition agreement with Ultra Lithium Inc. ("Ultra") and the underlying property owners (the "Owners") to acquire an 80% interest in the Zig Zag Property located approximately 60 kilometers northeast of Armstrong, Ontario. On October 15, 2013, the Company acquired Ultra's remaining 20% interest in the Zig Zag Property. The Owners retain a 2% NSR, one-half of which can be purchased by the Company for $1,000,000. Commencing on the fourth anniversary, the Company will be required to pay $10,000 per annum in pre-production royalties in either cash or shares. On March 3, 2016, the Company issued 500,000 shares to the Owners, valued at $10,000, to pay the pre-production royalty.

On March 4, 2016, and as amended on December 6, 2016, the Company signed an option agreement ("the Crescent Lake Option") to sell its 100% interest in the Zig Zag and Falcon Lake properties to Sunrise International Resources Ltd., a subsidiary of Argnonaut Resources NL, for payments totaling $490,000 as follows:

- (i) $20,000 cash on signing (received);
- (ii) $50,000 cash on exercise of the option (received);
- (iii) $150,000 cash on or before July 8, 2016 (received);
- (iv) $50,000 cash on or before December 8, 2016 (received);
- (v) AUD$70,000 in Argonaut Resources NL shares within 15 business days of December 6, 2016; and
- (vi) $150,000 cash on or before February 28, 2017.

The Company can also receive the following milestone payments, subject to certain conditions:

- (i) $400,000 in cash or shares payable on the announcement of a maiden resource estimate; and
- (ii) $1,000,000 in cash or shares payable on a decision to mine.

*Greenbush Property*

On March 22, 2016, the Company staked the Greenbush property, which consists of 47 claim units covering 752 hectares in Greenbush Lake Township. On April 28, 2016, the Company sold its 100% interest in the Greenbush property to Sunrise Canada Inc., a subsidiary of Argonaut Resources NL, in exchange for a cash payment of $100,000 on closing. The Company retained a 2% NSR on the Greenbush property.

### Hawkins Property

The Hawkins property is comprised of 96 claim units covering 1,536 hectares located in the Hawkins and Walls Townships, approximately 200 kilometers east of Timmins. On November 12, 2015 the Company entered into an option agreement with Pavey Ark Minerals Inc. ("Pavey Ark"), whereby Pavey Ark could acquire a 100% interest in the Hawkins Property. On February 23, 2016, the Company completed the sale of the Hawkins Property to Pavey Ark Minerals Inc. and received the final cash payment of $72,000, for total cash consideration of $96,000 over the course of the option. In addition, the Company retained a 0.5% NSR on the Hawkins property.

## 7. Mineral Properties and Exploration Expenditures - continued

### Trump Property (Webequie)

On July 8, 2008, the Company announced it had entered into a letter of intent with Rainy Mountain Royalty Corp. ("Rainy Mountain", formally East West Resource Corporation) granting the Company the option to acquire an 80% legal and beneficial interest in 96 claim units comprising more than 1,536 hectares in the James Bay Lowlands. On February 4, 2016 the Company relinquished its interest in the Trump property.

## 8. Share Capital

### Authorized share capital

On March 3, 2016, the Company issued 500,000 common shares valued at $10,000 as part of the Zig Zag property agreement (note 7).

On May 24, 2016, the Company issued 500,000 common shares valued at $25,000 to purchase 135 claim units forming part of the Hemlo North Limb Project (note 7).

On August 12, 2016, the Company closed a first tranche of a non-brokered private placement, raising gross proceeds of $2,405,200 through the sale of 40,086,668 units (each, a "Unit") of the Company at a price of $0.06 per Unit. Each Unit is comprised of one common share and one-half of one common share purchase warrant of the Company (each such whole common share purchase warrant, a "Warrant"). Each Warrant will be exercisable into one common share for a period of 18 months from closing at an exercise price of $0.14 per share. On August 18, 2016, the Company closed the final tranche of the private placement, raising gross proceeds of $3,352,280 through the sale of 55,871,331 Units at a price of $0.06 per Unit. In connection with the private placement, the Company paid finders' fees of $149,789 and issued a total of 2,460,480 broker warrants exercisable at $0.06 per common share for a period of 18 months.

On October 7, 2016, the Company issued 312,500 common shares valued at $25,000 as part of the Wire Lake option agreement (note 7).

At October 31, 2016, the authorized share capital consisted of an unlimited number of common shares and the issued share capital amounted to 182,232,623 common shares for $26,677,763. The common shares do not have a par value. All issued shares are fully paid.

## 9. Share Options

The Company has a Share Option Plan (the "Plan") under which it is authorized to grant options to purchase common shares of the Company to directors, senior officers, employees and/or consultants of the Company. The aggregate number of shares of the Company which may be issued and sold under the Plan will not exceed 10% of the total number of common shares issued and outstanding from time to time. Share options are granted with a maximum term of five years with vesting requirements at the discretion of the Board of Directors.

The Company records a charge to the statements of operations and comprehensive loss using the Black-Scholes fair valuation option pricing model with respect to a share option grant. The valuation is dependent on a number of estimates, including the risk free interest rate, the level of share volatility, together with an estimate of the level of forfeiture. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

The following table reflects the continuity of share options for the period ended October 31, 2016:

| | Options | Weighted Avg. Exercise Price |
|---|---|---|
| Balance, January 31, 2016 | - | - |
| Granted | 6,650,000 | 0.05 |
| **Balance, October 31, 2016** | **6,650,000** | **0.05** |

On June 1, 2016, the Company granted to Directors, Officers and consultants of the Company 6,650,000 share options vesting immediately, and exercisable at $0.05 per share for a period of five years from the date of issuance. The value ascribed to the 6,650,000 share options granted was estimated at $246,715 using the Black-Scholes model for option pricing. The assumptions used to determine the value were: stock price - $0.05; expected dividend yield - 0%; weighted expected volatility - 100%; risk-free interest rate - 0.72% and an expected life of 5 years.

The following table reflects the actual share options issued and outstanding as at October 31, 2016.

| Options | Exercise Price | Expiry Date |
|---|---|---|
| 6,650,000 | $ 0.05 | June 1, 2021 |

## 10. Warrants

The following table reflects the continuity of warrants for the period ended October 31, 2016:

| | Number of Warrants | Allocated Value |
|---|---|---|
| Balance, January 31, 2016 | - | $ - |
| Issued | 50,439,476 | $ 648,701 |
| **Balance, October 31, 2016** | **50,439,476** | **$ 648,701** |

The exercise price and expiry date of the warrants outstanding as at October 31, 2016 are as follows:

| Warrants | Exercise Price | Type | Expiry Date |
|---|---|---|---|
| 1,054,200 | $ 0.06 | Finders' warrants | February 12, 2018 |
| 20,043,332 | 0.14 | Warrants | February 12, 2018 |
| 1,406,280 | 0.06 | Finders' warrants | February 18, 2018 |
| 27,935,664 | 0.14 | Warrants | February 18, 2018 |
| **50,439,476** | **$ 0.14** | | |

## 11. Loss Per Common Share

The following table sets forth the computation of basic and diluted loss per share.

| | Three months ended Oct. 31, 2016 | Three months ended Oct. 31, 2015 | Nine months ended Oct. 31, 2016 | Nine months ended Oct. 31, 2015 |
|---|---|---|---|---|
| Loss attributable to common shareholders | $ (562,463) | $ (120,661) | $ (790,662) | $ (398,907) |
| Weighted-average common shares outstanding - basic and diluted | 166,817,285 | 32,924,059 | 112,842,324 | 32,824,059 |
| **Basic and diluted loss per common share** | **$ (0.003)** | **$ (0.004)** | **$ (0.007)** | **$ (0.012)** |

Diluted loss per share does not include the effect of share options and warrants outstanding if their effect is anti-dilutive.

## 12. Related Party Transactions and Balances

### *(a) Director and executive management compensation*

Directors and executive management's compensation for the three and nine months ended October 31, 2016 and 2015 consisted of the following:

| | Three months ended Oct. 31, 2016 | Three months ended Oct. 31, 2015 | Nine months ended Oct. 31, 2016 | Nine months ended Oct. 31, 2015 |
|---|---|---|---|---|
| Cash compensation | $ 88,950 | $ - | $ 274,225 | $ 153,900 |
| Deferred compensation | - | 88,950 | - | 112,950 |
| Fair value of stock options | - | - | 226,310 | - |
| | **$ 88,950** | **$ 88,950** | **$ 500,535** | **$ 266,850** |

Directors and executive management received the following stock options during the nine months ended October 31, 2016:

| Expiry date | Number of options | Exercise price | Stock price at grant | Risk-free interest rate | Expected life | Volatility factor | Fair value |
|---|---|---|---|---|---|---|---|
| June 1, 2021 | 6,100,000 | $ 0.05 | $ 0.05 | 0.72 % | 5.0 | 100 % | $ 0.037 |

### *(b) Director and executive management transactions*

The aggregate value of transactions and outstanding balances relating to entities over which directors and executive management have control or significant influence were as follows:

| Account | Note | Transaction value Nine months ended Oct. 31, 2016 | Transaction value Nine months ended Oct. 31, 2015 | Balance outstanding as at Oct. 31, 2016 | Balance outstanding as at Oct. 31, 2015 |
|---|---|---|---|---|---|
| Accounts payable and accrued liabilties | (i) | $ - | $ 112,950 | $ - | $ 112,950 |
| Due to related party | (ii) | - | - | - | 233,035 |
| | | **$ -** | **$ 112,950** | **$ -** | **$ 345,985** |

(i) The Company's management elected to voluntarily defer a portion of their monthly cash compensation. This amount was paid on December 31, 2015 and management reinvested the after tax amount in the December 31, 2015 private placement.

## 12. Related Party Transactions and Balances - continued

***(b) Director and executive management transactions - continued***

(ii) The Company had a loan from 695202 Ontario Limited, a corporation controlled by a relative of Gordon McKinnon, the Chief Executive Officer and a director of the Board, in the amount of $233,035 that was converted to 11,651,784 common shares of the Company at a price of $0.02 per share on December 31, 2015.

## 13. Capital Risk Management

The Company's capital is composed of shareholders' equity. 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 properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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 period ended October 31, 2016. The Company is not subject to externally imposed capital requirements.

**Financial risk factors**

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

***(a) Credit risk***

The Company's credit risk is primarily attributable to accounts receivable which consist primarily of Harmonized Sales Tax receivable. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is remote.

## 13. Capital Risk Management - continued

**Financial risk factors - continued**

### *(b) Liquidity risk*

The Company is currently in the exploration stage and has not commenced commercial operations. As at the date of issue of these financial statements, the Company had an accumulated deficit of $26,657,609. As at October 31, 2016, the Company was not yet generating operating cash flows, but had working capital of $5,813,780. Within this amount, it had a cash balance of $5,332,253 (January 31, 2016: $702,875) to settle current liabilities of $138,597 (January 31, 2016: $ 24,809).

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to fund its liabilities as they become due. All of the Company's financial liabilities have contractual maturities of less than 60 days and are subject to normal trade terms. The Company may be required to obtain additional capital to continue its progress toward recovering the amount expended on its mineral properties, and although success in this regard is not assured, management is of the opinion that additional capital can be raised as required for the foreseeable future.

### *(c) Market risk*

*(i) Interest rate risk*

The Company has cash balances and no interest-bearing debt. Interest rate risk is remote.

*(ii) Price risk*

The Company is indirectly exposed to price risk with respect to the price of both precious and base metals. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Price risk is remote since the Company is not a producing entity.

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.

### *(d) Fair Value*

The fair values of the Company's cash and cash equivalents, accounts receivable and accounts payables approximate their carrying values because of the short term-nature of these instruments.

### *(e) Sensitivity analysis*

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period. The Company's investments in public companies are sensitive to a plus or minus 50% change in Canadian equity prices which would affect comprehensive income (loss) by approximately $ 2,000.

## 14. Subsequent Events

***(a)*** On December 6, 2016, the Company entered into a variation and extension agreement ("Extension Agreement") with Sunrise Canada Inc., a subsidiary of Argonaut Resources NL ("Argonaut"), pertaining to the Crescent Lake Option. Under the Extension Agreement, the Company agreed to extend the final cash payment from November 30, 2016 to February 28, 2017. In return for the Company granting such extension, Argonaut will make a cash payment of $50,000 within 2 business days of signing (received), issue to the Company AUD$70,000 in Argonaut shares, and make a final payment of $150,000 in cash on or before February 28, 2017.

***(b)*** On December 13, 2016, the Company announced a share consolidation on the basis of one post-consolidation common share for every four pre-consolidation common shares (the "Share Consolidation"). The Share Consolidation will reduce the Company's 182,232,623 issued and outstanding common shares to approximately 45,558,156 post-consolidation common shares. The exercise price of outstanding share options and warrants, and the number of such options and warrants, will also be proportionately adjusted based upon the Share Consolidation.