



**Financial Statements**

**January 31, 2017 and 2016**

**(expressed in Canadian dollars)**

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**Notice to Reader**

These revised financial statements (that were originally filed on SEDAR on May 26, 2017) are correcting an error in the Independent Auditors' Report which read "To the Audit Committee of Canadian Orebodies Inc." and should have read "To the Shareholders of Canadian Orebodies Inc."

## Independent Auditors' Report

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To the Shareholders of Canadian Orebodies Inc.:

We have audited the accompanying financial statements of Canadian Orebodies Inc., which comprise the statements of financial position as at January 31, 2017 and 2016, and the statements of operations and comprehensive loss, cash flows, and changes in equity 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 audits 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, the financial statements present fairly, in all material respects, the financial position of Canadian Orebodies Inc. as at January 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*MNP LLP*

Mississauga, Ontario

Chartered Professional Accountants

May 25, 2017

Licensed Public Accountants

**MNP**

**Canadian Orebodies Inc.**  
**Statements of Financial Position**  
As at January 31, 2017 and 2016

	2017	2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 5)	\$ 4,939,989	\$ 702,875
Short term investments (note 6)	500,000	-
Marketable securities (note 6)	71,405	6,000
Accounts receivable	40,585	5,219
Prepaid expenses	35,956	4,794
Exploration advances	42,800	-
<b>Total Assets</b>	<b>\$ 5,630,735</b>	<b>\$ 718,888</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 94,516	\$ 24,809
<b>Shareholders' Equity</b>		
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 other comprehensive income (loss)	6,400	-
Accumulated deficit	(26,941,570)	(25,866,947)
	5,536,219	694,079
<b>Total Equity and Liabilities</b>	<b>\$ 5,630,735</b>	<b>\$ 718,888</b>

Subsequent events (note 15)

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

On behalf of the Board:

Signed: "Gordon McKinnon"

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Director

Signed: "Michael Leskovec"

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Director

**Canadian Orebodies Inc.**  
**Statements of Operations and Comprehensive Loss**  
For the years ended January 31, 2017 and 2016

	2017	2016
<b>Expenses</b>		
Exploration expenditures <i>(note 7)</i>	\$ 695,995	\$ 13,678
Management and administrative services <i>(note 13)</i>	364,747	234,670
Share based compensation <i>(note 9 and 13)</i>	246,715	84,226
Professional and consulting fees	139,949	58,047
Shareholder information	80,506	27,873
Office and administration	70,100	57,096
Representation and travel	1,185	-
Recovery of exploration expenditures <i>(note 7)</i>	-	(2,500)
(Gain) loss on sale of marketable securities	(2,000)	29,708
Interest income	(19,569)	(499)
Recovery on sale of mineral properties <i>(note 7)</i>	(503,005)	(24,000)
<b>Net loss for the year</b>	<b>(1,074,623)</b>	<b>(478,299)</b>
<b>Other comprehensive (loss) income</b>		
Items that will subsequently be reclassified to profit or loss:		
Unrealized gain (loss) on available-for-sale marketable securities arising during the year	6,400	-
Items reclassified to profit or loss:		
Realized (gain) loss	-	27,692
	<b>6,400</b>	<b>27,692</b>
<b>Total comprehensive loss for the year</b>	<b>\$ (1,068,223)</b>	<b>\$ (450,607)</b>
<b>Basic and diluted net loss per share <i>(note 11)</i></b>	<b>\$ (0.033)</b>	<b>\$ (0.051)</b>

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

**Canadian Orebodies Inc.**  
**Statements of Cash Flows**

For the years ended January 31, 2017 and 2016

	2017	2016
<b>Operating Activities</b>		
<b>Net loss</b>	\$ (1,074,623)	\$ (478,299)
Items not affecting cash and cash equivalents from operating activities:		
Interest income	(19,569)	(499)
Share based compensation	246,715	84,226
Loss (gain) on sale of marketable securities	(2,000)	29,708
Shares issued for mineral properties	60,000	10,000
Marketable securities received from sale of mineral property	(61,005)	-
<b>Changes in non-cash working capital items</b>		
Accounts receivable	(35,366)	(1,709)
Prepays and deposits	(31,162)	1,251
Exploration advances	(42,800)	-
Accounts payable and accrued liabilities	69,707	(12,197)
	<b>(890,103)</b>	<b>(367,519)</b>
<b>Financing Activities</b>		
Issue of common shares	5,757,480	723,500
Share issue costs	(153,832)	(35,175)
	<b>5,603,648</b>	<b>688,325</b>
<b>Investing Activities</b>		
Sale of marketable securities	4,000	181,792
Purchase of short term investments	(500,000)	-
Interest income	19,569	499
	<b>(476,431)</b>	<b>182,291</b>
<b>Net change in cash and cash equivalents</b>	<b>4,237,114</b>	<b>503,097</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>702,875</b>	<b>199,778</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 4,939,989</b>	<b>\$ 702,875</b>
<b>Supplementary cash flow information</b>		
Shares issued for extinguishment of due to related party	\$ -	\$ 233,035
Shares issued for extinguishment of accounts payable to key management personnel	\$ -	\$ 84,226
Shares issued for mineral properties	\$ 60,000	\$ -

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

**Canadian Orebodies Inc.**  
**Statements of Changes in Equity**  
For the years ended January 31, 2017 and 2016

	<u>Share Capital</u>		<u>Reserves</u>		<u>Accumulated other comprehensive income</u>		<u>Total</u>
	(note 8) Number of shares	Amount	Contributed surplus	Warrants	(loss) income	Accumulated Deficit	
<b>Balance, January 31, 2015</b>	<b>8,181,015</b>	<b>\$ 20,647,230</b>	<b>\$ 4,898,210</b>	<b>\$ -</b>	<b>\$ (27,692)</b>	<b>\$(25,388,648)</b>	<b>\$ 129,100</b>
Private placements	9,043,750	723,500	-	-	-	-	723,500
Cost of issue of private placements	-	(35,175)	-	-	-	-	(35,175)
Conversion of due to related party (note 13)	2,912,946	233,035	-	-	-	-	233,035
Issued for mineral properties	50,000	10,000	-	-	-	-	10,000
Share-based compensation	1,052,820	84,226	-	-	-	-	84,226
Reclassification of realized gain on marketable securities	-	-	-	-	27,692	(27,692)	-
Comprehensive loss for the year	-	-	-	-	-	(450,607)	(450,607)
<b>Balance, January 31, 2016</b>	<b>21,240,531</b>	<b>\$ 21,662,816</b>	<b>\$ 4,898,210</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$(25,866,947)</b>	<b>\$ 694,079</b>
Private placements	23,989,500	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)	328,125	60,000	-	-	-	-	60,000
Share-based compensation	-	-	246,715	-	-	-	246,715
Unrealized gain on marketable securities	-	-	-	-	6,400	(6,400)	-
Comprehensive loss for the year	-	-	-	-	-	(1,068,223)	(1,068,223)
<b>Balance, January 31, 2017</b>	<b>45,558,156</b>	<b>\$ 26,677,763</b>	<b>\$ 5,144,925</b>	<b>\$ 648,701</b>	<b>\$ 6,400</b>	<b>\$(26,941,570)</b>	<b>\$ 5,536,219</b>

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

## **1. Nature of Operations**

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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**

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

These 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 financial statements have been prepared using the accrual basis of accounting except for cash flow information.

The financial statements were approved by the Board of Directors on May 25, 2017.

## **3. Significant Accounting Policies**

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### **(a) 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.

#### **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.

### **3. Significant Accounting Policies - continued**

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

**IFRS 16 - Leases**

In January 2016, the IASB issued IFRS 16 Leases, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019.

**(b) Financial instruments**

**Financial assets**

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or assets acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

*Loans and receivables* - These assets are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

*Held to maturity investments* - These assets are non derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations and comprehensive loss.

*Available for sale* - These assets are non derivative financial assets not included in the above categories. They are carried at fair value with changes in fair value recognized in other comprehensive income. Where a decline in the fair value of an available for sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at the end of each reporting period. Financial assets are impaired when there is any objective evidence that the future cash flows associated with a financial asset or a group of financial assets have been negatively impacted. Different criteria to determine impairment are applied for each category of financial assets described above.



**3. Significant Accounting Policies - continued**

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**(b) Financial instruments - continued**

**Financial liabilities**

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the corresponding asset was acquired. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss* - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations and comprehensive loss.

*Other financial liabilities* - This category includes all other financial liabilities, all of which are recognized at amortized cost.

The Company's financial instruments consist of the following:

<b>Financial assets:</b>	<b>Classification:</b>
Cash and cash equivalents	Fair value through profit and loss
Short term investments	Fair value through profit and loss
Accounts receivable	Loans and receivables
Marketable securities - equity securities	Available for sale
<b>Financial liabilities:</b>	<b>Classification:</b>
Accounts payable and accrued liabilities	Other financial liabilities

**Fair value hierarchy**

The Company classifies its financial instruments according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

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

The Company's cash and cash equivalents, short term investments and equity securities held as marketable securities are classified within level 1 of the fair value hierarchy.

### **3. Significant Accounting Policies - continued**

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**(c) Mineral properties and exploration expenditures**

The Company expenses all costs relating to the acquisition of, exploration for and development of mineral claims and credits all revenues received against the exploration expenditures. Such costs include, but are not limited to geological, geophysical studies, exploratory drilling and sampling.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized; this includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

**(d) Income taxes**

Income tax on the profit or loss for the periods presented consists of 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 or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized either in profit or loss and comprehensive income or loss or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent their future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

**(e) 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, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures 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.

### **3. Significant Accounting Policies - continued**

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**(e) *Flow-through shares - continued***

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

**(f) *Share issue costs***

Costs incurred for the issue of common shares and warrants are deducted from share capital and warrants respectively.

**(g) *Share-based payment transactions***

The share option plan allows the Company's 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.

The fair value is measured at grant date and each tranche is recognized on a graded vesting basis 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 the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

**(h) *Asset retirement obligation***

The operations of the Company are subject to regulations governing the environment, including future site restoration costs for mineral properties. The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred when a reasonable estimate of fair value can be made. If a reasonable estimate of fair value cannot be made in the period the asset retirement obligation is incurred, the liability is recognized when a reasonable estimate of fair value can be made.

The Company has determined that there are no asset retirement obligations or any other environmental obligations with respect to its mineral properties, and therefore no liability has been recognized in these financial statements.

**(i) *Earnings (loss) per share***

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed using the treasury stock method. Stock options and warrants outstanding are not included in the computation of diluted earnings (loss) per share if their inclusion would be anti dilutive.

#### **4. Critical Accounting Estimates and Significant Judgements**

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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.

The preparation of these financial statements required the following critical accounting estimates and significant judgments:

- (i) the estimation of the share price for common shares issued when the Company's common shares were not publically traded on a stock exchange (note 7); and
- (ii) the calculation of the fair value of warrants, broker warrants and stock options requires the use of estimates of inputs in the Black-Scholes option pricing model (notes 9 and 10).

#### **5. Cash and Cash Equivalents**

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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:

	<b>January 31, 2017</b>	<b>January 31, 2016</b>
Cash	\$ 75,515	\$ 636,797
Money market instruments	4,864,474	66,078
	<b>\$ 4,939,989</b>	<b>\$ 702,875</b>

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#### **6. Short Term Investments and Marketable Securities**

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Short term investments include investment grade guaranteed investment certificates ("GIC") which mature in less than one year, but greater than three months. As at January 31, 2017, the Company held GICs issued by a Canadian Chartered bank in the amount of \$500,000 (January 31, 2016 - \$ nil).

During the year ended January 31, 2017, 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:

	<b>January 31, 2017</b>	<b>January 31, 2016</b>
Equity securities	\$ 71,405	\$ 6,000

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## **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:

	<b>Hemlo North Limb</b>	<b>Hemlo Wire Lake</b>	<b>Belcher Islands Iron</b>	<b>Lithium &amp; Rare Metals</b>	<b>Trump &amp; Hawkins</b>	<b>Total</b>
<b>January 31, 2015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,196,238</b>	<b>\$ 1,285,724</b>	<b>\$ 750,984</b>	<b>\$ 16,232,946</b>
Expenditures	-	-	3,678	10,000	-	13,678
Recoveries	-	-	(2,500)	-	(24,000)	(26,500)
<b>January 31, 2016</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 14,197,416</b>	<b>\$ 1,295,724</b>	<b>\$ 726,984</b>	<b>\$ 16,220,124</b>
Expenditures	487,050	187,952	3,678	17,315	-	695,995
Recoveries	-	-	-	(431,005)	(72,000)	(503,005)
Disposals	-	-	-	-	(654,984)	(654,984)
<b>January 31, 2017</b>	<b>\$ 487,050</b>	<b>\$ 187,952</b>	<b>\$ 14,201,094</b>	<b>\$ 882,034</b>	<b>\$ -</b>	<b>\$ 15,758,130</b>

*\* 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 125,000 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.

#### *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 78,125 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.

## **7. Mineral Properties and Exploration Expenditures - continued**

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### **Hemlo Area Projects - continued**

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 55 claim units totaling 880 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.

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 125,000 shares to the Owners, valued at \$10,000, to pay the pre-production royalty.

## **7. Mineral Properties and Exploration Expenditures - continued**

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### **Lithium & Rare Metals - continued**

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 Argonaut Resources NL, for payments totaling approximately \$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 (received); and
- (vi) \$150,000 cash on or before February 28, 2017 (received).

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.

#### **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**

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### **Authorized share capital**

On March 3, 2016, the Company issued 125,000 common shares valued at \$10,000 as part of the Zig Zag property agreement (note 7).

On May 24, 2016, the Company issued 125,000 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 10,021,667 units (each, a "Unit") of the Company at a price of \$0.24 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 \$0.56 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 13,967,833 Units at a price of \$0.24 per Unit. In connection with the private placement, the Company paid finders' fees of \$149,789 and issued a total of 615,120 broker warrants exercisable at \$0.24 per common share for a period of 18 months.

On October 7, 2016, the Company issued 78,125 common shares valued at \$25,000 as part of the Wire Lake option agreement (note 7).

On December 23, 2016, the Company completed a share consolidation on the basis of one postconsolidation common share for every four pre-consolidation common shares (the "Share Consolidation"). The exercise price of outstanding share options and warrants, and the number of such options and warrants, were also proportionately adjusted based upon the Share Consolidation. All historical information presented in the financial statements has been adjusted to reflect the Share Consolidation.

At January 31, 2017, the authorized share capital consisted of an unlimited number of common shares and the issued share capital amounted to 45,558,156 common shares for \$26,677,763. The common shares do not have a par value. All issued shares are fully paid.

## **9. Share Options**

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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



**9. Share Options - continued**

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 years ended January 31, 2017 and 2016:

	<b>Options</b>	<b>Weighted Avg. Exercise Price</b>
Balance, January 31, 2015	2,460,000	\$ 2.36
Expired	(325,000)	2.00
Cancelled	(2,135,000)	2.44
Balance, January 31, 2016	-	\$ -
Granted	1,662,500	0.20
<b>Balance, January 31, 2017</b>	<b>1,662,500</b>	<b>\$ 0.20</b>

On June 1, 2016, the Company granted to Directors, Officers and consultants of the Company 1,662,500 share options vesting immediately, and exercisable at \$0.20 per share for a period of five years from the date of issuance. The value ascribed to the 1,662,500 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 - \$0.20; 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, exercisable, and outstanding as at January 31, 2017.

<b>Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
1,662,500	\$ 0.20	June 1, 2021

**10. Warrants**

The following table reflects the continuity of warrants for the years ended January 31, 2017 and 2016:

	<b>Number of Warrants</b>	<b>Allocated Value</b>
Balance, January 31, 2016 and 2015	-	\$ -
Issued	12,609,869	648,701
<b>Balance, January 31, 2017</b>	<b>12,609,869</b>	<b>\$ 648,701</b>

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**10. Warrants - continued**

The exercise price and expiry date of the warrants outstanding as at January 31, 2017 are as follows:

<b>Warrants</b>	<b>Exercise Price</b>	<b>Type</b>	<b>Expiry Date</b>
293,550	\$ 0.24	Finders' warrants	February 12, 2018
5,010,833	0.56	Warrants	February 12, 2018
321,570	0.24	Finders' warrants	February 18, 2018
6,983,916	0.56	Warrants	February 18, 2018
<b>12,609,869</b>	<b>\$ 0.54</b>		

**11. Loss Per Common Share**

The following table sets forth the computation of basic and diluted loss per share for the years ended January 31, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
Loss attributable to common shareholders	\$ (1,074,623)	\$ (478,299)
Weighted-average common shares outstanding - basic and diluted	32,510,202	9,327,953
<b>Basic and diluted loss per common share</b>	<b>\$ (0.033)</b>	<b>\$ (0.051)</b>

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

**12. Income Taxes**

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences because it is not probable that future taxable profit will be available against which the Company can utilize these benefits:

	<b>2017</b>	<b>2016</b>
Non-capital losses	\$ 5,449,400	\$ 4,628,860
Capital losses	111,840	181,170
Exploration expenditures	12,796,880	12,646,750
Mining tax credits	510,880	510,880
Share issue costs	198,550	73,510
Marketable securities	45,600	78,000
Property, plant, and equipment	2,460	2,460

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**12. Income Taxes - continued**

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The non-capital losses carried forward will expire between 2029 and 2037. The capital losses, exploration expenditures, and property, plant, and equipment may be carried forward indefinitely. The mining tax credits expire between 2032 and 2033. The share issue costs will be deducted for tax purposes over the next four years.

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**13. Related Party Transactions and Balances**

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

Directors and executive management's compensation for the years ended ended January 31, 2017 and 2016 consisted of the following:

	2017	2016
Cash compensation	\$ 364,747	\$ 234,670
Stock compensation	-	84,226
Fair value of stock options	226,310	-
	<b>\$ 591,057</b>	<b>\$ 318,896</b>

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Directors and executive management received the following stock options during the year ended January 31, 2017:

Expiry date	Number of options	Exercise price	Stock price at grant	Risk-free interest rate	Expected life	Volatility factor	Fair value
June 1, 2021	1,525,000	\$ 0.20	\$ 0.20	0.72 %	5.0	100 %	\$ 0.148

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**(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		Balance outstanding	
		Year ended Jan. 31, 2017	2016	as at Jan. 31, 2017	2016
Accounts payable and accrued liabilities	(i)	\$ -	\$ -	\$ 2,109	\$ -
Due to related party	(ii)	\$ -	\$ (233,035)	\$ -	\$ -

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### **13. Related Party Transactions and Balances - continued**

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

- (i) At January 31, 2017, the Company recognized an accrual of \$2,109 due to Gordon McKinnon, the Chief Executive Officer and a director of the Board, for expenses incurred on behalf of the Company during the year but billed subsequent to year end.
- (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 2,912,946 common shares of the Company at a price of \$0.08 per share on December 31, 2015.

### **14. Capital Risk Management**

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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 January 31, 2017. 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.

#### **14. Capital Risk Management - continued**

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##### **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 \$26,941,570. As at January 31, 2017, the Company was not yet generating operating cash flows, but had working capital of \$5,536,219. Within this amount, it had a cash balance of \$4,939,989 (January 31, 2016: \$702,875) to settle current liabilities of \$94,516 (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 payable 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 \$35,703.

## **15. Subsequent Events**

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- (a) On February 3, 2017, the Company granted an aggregate of 2,310,000 incentive stock options exercisable at a price of \$0.25 per share for a period of five years to Directors, Officers and consultants under the terms of the Company's incentive stock option plan.
- (b) On February 28, 2017, the Company received a purchase notice from Sunrise International Resources Ltd., a subsidiary of Argonaut Resources NL, pursuant to the Crescent Lake Option. The Crescent Lake Option was exercised and final payment of \$150,000 in cash was received on March 8, 2017.
- (c) On April 11, 2017, the Company granted an aggregate of 200,000 incentive stock options exercisable at a price of \$0.47 per share for a period of five years to Directors, Officers and consultants under the terms of the Company's incentive stock option plan.
- (d) On April 23, 2017, the Company entered into an acquisition agreement (the "Acquisition Agreement") with StrikePoint Gold Inc. ("StrikePoint") to acquire a 100% interest in 33 mineral claims (the "Black Raven Property") located adjacent to the Company's Wire Lake Property. Pursuant to the Acquisition Agreement, the Company paid \$15,000 cash on signing, and issued 1,250,000 common shares valued at \$587,500. Additionally, the Company issued 250,000 share purchase warrants, valued at \$40,025, entitling StrikePoint to acquire up to 250,000 common shares at a price of \$0.63 per share for a period of 12 months.
- (e) In conjunction with the Acquisition Agreement, on April 23, 2017 the Company executed a termination and assumption agreement (the "Termination and Assumption Agreement") with the underlying optionors of the Black Raven Property in order to terminate the underlying option agreement, discharge a future milestone payment and assume the underlying royalty obligations. The Termination and Assumption Agreement called for the Company to issue 200,000 common shares on signing to the Optionors, valued at \$94,000, and assume a 2.5% net smelter return ("NSR") royalty. The royalty agreement provides that 1.5% of the NSR royalty may be bought back by the Company at any time upon payment of \$1,500,000, or in increments of 0.5% NSR royalty for \$500,000 each.