# Fire River Gold Corp.
## Audited Financial Statements
### October 31, 2016
(Expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Fire River Gold Corp.:

We have audited the accompanying financial statements of Fire River Gold Corp., which comprise the statements of financial position as at October 31, 2016 and October 31, 2015, and the statements of comprehensive loss, cash flow and changes in deficit 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.

**Auditor's 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 auditor's 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 Fire River Gold Corp.as at October 31, 2016 and October 31, 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 certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Fire River Gold Corp's ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
February 28, 2017

# Fire River Gold Corp.
## Statements of Financial Position
(Expressed in Canadian dollars)

| | Note | As at October 31, 2016 | As at October 31, 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash | 5 | **$ -** | $ 158 |
| **Total Assets** | | **$ -** | $ 158 |
| **LIABILITIES AND SHAREHOLDERS' DEFICIT** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 6 | **$ 367,979** | $ 150,310 |
| **Total Liabilities** | | **367,979** | 150,310 |
| **Deficit** | | | |
| Common shares | 8 | **39,172,995** | 39,172,995 |
| Reserves | 8 | **18,029,569** | 18,029,569 |
| Deficit | | **(57,570,543)** | (57,352,716) |
| **Total Deficit** | | **(367,979)** | (150,152) |
| **Total Liabilities and Shareholders' Deficit** | | **$ -** | $ 158 |

Going Concern (Note 1)

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

# Fire River Gold Corp.

**Statements of Comprehensive Loss**
(Expressed in Canadian dollars)

| | Note | | Year Ended October 31 | | |
|---|---|---|---|---|---|
| | | | **2016** | | 2015 |
| Administration expenses | 9 | **$** | **216,810** | $ | 80,235 |
| **Loss before other items** | | | **(216,810)** | | (80,235) |
| **Other items** | | | | | |
| Loss on write off of receivables | | | **-** | | (25,432) |
| Interest expense | | | - | | (773) |
| Foreign exchange loss | | | **(1,017)** | | (809) |
| **Net comprehensive loss** | | **$** | **(217,827)** | $ | (107,249) |
| **Loss per share** | | | | | |
| Basic and diluted | 11 | **$** | **(0.07)** | $ | (0.03) |

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

# Fire River Gold Corp.

**Statements of Cash Flows**
(Expressed in Canadian dollars)

| | | Year Ended October 31 | |
|---|---|---|---|
| | | **2016** | 2015 |
| **OPERATING ACTIVITIES** | | | |
| Net loss for the year | | **$ (217,827)** | $ (107,249) |
| Adjustments for: | | | |
| Accrued interest | | **-** | 690 |
| Loss on write off of receivables | | **-** | 25,432 |
| Operating cash flows before movements in working capital | | | |
| Changes in receivables | | **-** | 18,300 |
| Increase (decrease) in payables | | **217,669** | (52,501) |
| **Cash used in operating activities** | | **(158)** | (115,328) |
| **Change in cash** | | **(158)** | (115,328) |
| Cash, beginning of year | | **158** | 115,486 |
| **Cash, end of year** | 5 | **$ -** | $ 158 |

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

# Fire River Gold Corp.

**Statements of Changes in Deficit**

(Expressed in Canadian dollars)

| | Number of shares | Common shares | Stock option reserve | Warrant reserve | Deficit | Total |
|---|---|---|---|---|---|---|
| Balances at October 31, 2014 | 3,161,570 | $ 39,172,995 | $ 3,473,677 | $14,555,892 | $ (57,245,467) | $ (42,903) |
| Net and comprehensive loss for the year | - | - | - | - | (107,249) | (107,249) |
| **Balances at October 31, 2015** | **3,161,570** | **39,172,995** | **3,473,677** | **14,555,892** | **(57,352,716)** | **(150,152)** |
| Net and comprehensive loss for the year | - | - | - | - | (217,827) | (217,827) |
| **Balances at October 31, 2016** | **3,161,570** | **$ 39,172,995** | **$ 3,473,677** | **$14,555,892** | **$ (57,570,543)** | **$ (367,979)** |

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

## 1 CORPORATE INFORMATION

Fire River Gold Corp. (the “Company”) was incorporated on 22 September 1997 under the laws of the Province of British Columbia and is a mineral exploration company focused on the acquisition, exploration and development of primarily gold, silver and base metal properties. The Company’s shares are listed on the NEX Board of the TSX Venture Exchange (“Exchange”). Its head office is located at 1199 West Hastings Street, Suite 800, Vancouver, British Columbia, V6E 3T5.

The Company had mining projects but effective October 7, 2013 Waterton Global Value, L.P. ("Waterton") took control of the Nixon Fork Gold Mine and Mystery Creek Resources, Inc. ("MCRI"), the U.S. corporation that owns the mine. This action was a result of the default by the Company on the terms of the Credit Agreement with Waterton. The Company delivered all rights, debts, properties and obligations of MCRI to Waterton and Waterton accepted such as full and final satisfaction of the indebtedness due to Waterton under the Credit Agreement (Note 7).

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will be able to continue in operation for the foreseeable future, will be able to realize its assets, discharge its liabilities and commitments in the normal course of business. As of October 31, 2016 the Company had no mining or exploration projects. The Company has no cash and will require capital to maintain operations. These uncertainties may cast significant doubt on the Company’s ability to continue as a going concern. The application of the going concern concept is dependent upon the Company’s ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. Management is actively engaged in the review and due diligence on new projects, is seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost cutting measures. There can be no assurance that management’s plan will be successful. If the going concern assumption were not appropriate for these financial statements then adjustments could be necessary in the carrying value and classification of assets and liabilities. Such adjustments could be material.

The Company had cash of $Nil as at October 31, 2016 ($158 as at October 31, 2015) and working capital deficit of $367,979 as at October 31, 2016 ($150,152 as at October 31, 2015).

## 2 BASIS OF PREPARATION

### 2.1 Basis of presentation

The Company’s financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value (Note 13), and are presented in Canadian dollars except where otherwise indicated.

The financial statements were approved by the board of directors on February 28, 2017.

## 2 BASIS OF PREPARATION (Continued)

### 2.2 Statement of compliance

The financial statements of the Company, including comparatives, have been prepared in accordance with and using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) and International Accounting Standards (“IAS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

### 2.3 Adoption of new and revised standards and interpretations

At the date of authorization of these financial statements, the IASB and IFRIC have issued the following new and revised standards, amendments and interpretations which are not yet effective:

- IFRS 9 ‘*Financial Instruments: Classification and Measurement’* is a new financial instruments standard with a tentative effective date for annual periods beginning on or after January 1, 2018 that replaces IAS 39 and IFRIC 9 for classification and measurement of financial assets and financial liabilities.

The Company has not early adopted this standard and anticipates that the application of it will not have a material impact on the financial position and financial performance of the Company.

Other standards, amendments and interpretations with future effective dates are not expected to have an impact on the financial statements of the Company.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Significant accounting judgments, estimates and assumptions

The preparation of the Company’s audited financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recoverability and measurement of deferred tax assets and liabilities and ability to continue as a going concern. Actual results may differ from those estimates and judgments.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.2 Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and recognized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock option reserve. The fair value of options is determined using the Black-Scholes Option Pricing Model which incorporates market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

### 3.3 Taxation

Deferred tax is provided for based on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

### 3.4 Financial assets

Financial assets are classified as financial assets at fair value through profit or loss (“FVTPL”), held-to-maturity, loans and receivables, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value. The subsequent measurement of financial assets depends on their classification as follows:

*Financial assets at FVTPL*

Financial assets are classified as held for trading and are included in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives, other than those designated as effective hedging instruments, are also categorized as held for trading. These assets are carried at fair value with gains or losses recognized in profit or loss. Transaction costs associated with financial assets at FVTPL are expensed as incurred. Cash is included in this category of financial assets.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.4 Financial assets (continued)

*Held-to-maturity and loans and receivables*

Held-to-maturity and loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in profit or loss when the financial assets classified in this category are derecognized or impaired, as well as through the amortization process. The transaction costs are included in the initial carrying amount of the asset.

*Available-for-sale*

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognized within other comprehensive income. Accumulated changes in fair value are recorded as a separate component of equity until the investment is derecognized or impaired. Transaction costs are included in the initial carrying amount of the asset.

The fair value is determined by reference to bid prices at the close of business on the reporting date. Where there is no active market, fair value is determined using valuation techniques. Where fair value cannot be reliably measured, assets are carried at cost.

*Derivatives designated as hedging instruments in an effective hedge*

The Company does not hold or have any exposure to derivative instruments.

### 3.5 Financial liabilities

Financial liabilities are classified as financial liabilities at FVTPL, derivatives designated as hedging instruments in an effective hedge, or as financial liabilities measured at amortized cost, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

*Financial liabilities at FVTPL*

Financial liabilities at FVTPL has two sub categories, including financial liabilities held for trading and those designated by management on initial recognition. Transaction costs on financial liabilities at FVTPL are expensed as incurred. These liabilities are carried at fair value with gains or losses recognized in profit or loss.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.5 Financial liabilities (continued)

*Financial liabilities measured at amortized cost*

All other financial liabilities are initially recognized at fair value, net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest, other revenues and finance costs. Trade, other payables and note payable are included in this category of financial liabilities.

*Derivatives designated as hedging instruments in an effective hedge*

The Company does not hold or have any exposure to derivative instruments.

### 3.6 Impairment of financial assets

Financial assets, other than financial assets at FVTPL, are assessed for indicators of impairment at each period end.

*Assets carried at amortized cost*

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

*Available-for-sale*

If an available-for-sale financial asset is impaired, the cumulative loss previously recognized inequity is transferred to profit or loss. Any subsequent recovery in the fair value of the asset is recognized within other comprehensive income.

### 3.7 De-recognition of financial assets and liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.7 De-recognition of financial assets and liabilities (Continued)

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

### 3.8 Impairment of non-financial assets

The carrying amount of the Company's assets is reviewed for any indicators of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets.

Recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

### 3.9 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. Parties are also considered to be related if they are subject to common control. 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.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 3.10 Exploration and evaluation properties

Exploration and evaluation costs and option maintenance payments are expensed as incurred. When it has been determined that a resource property can be economically developed as a result of establishing proven and probable reserves, costs incurred prospectively to develop the property are capitalized as incurred and are depreciated using the unit-of-production depreciation method over the estimated life of the ore body based on proven and probable reserves.

### 3.11 Decommissioning, restoration and similar liabilities

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of exploration and evaluation properties and retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future cost estimates arising from the decommissioning of plant, site restoration work and other similar retirement activities is added to the carrying amount of the related asset, and depreciated on the same basis as the related asset, along with a corresponding increase in the provision in the period incurred. Discount rates using a pre-tax rate that reflect the current market assessments of 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 asset with a corresponding entry to the provision.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit or loss for the period. The net present value of reclamation costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred. The costs of reclamation projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation properties.

The Company does not have any decommissioning or restoration obligations.

### 3.12 Loss per share

Basic loss per share is calculated by dividing net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is determined by adjusting the net loss attributable to common shares and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares.

## 4 SEGMENTED INFORMATION

At October 31, 2016, the Company maintains its corporate office in Canada. The following is an analysis of assets by geographical area:

| | | Canada |
|---|---|---|
| As at October 31, 2015 | $ | 158 |
| **As at October 31, 2016** | **$** | **-** |

## 5 CASH

The Company's cash is denominated in the following currencies:

| | | **As at October 31, 2016** | | As at October 31, 2015 |
|---|---|---|---|---|
| Denominated in Canadian dollars | **$** | **-** | $ | 89 |
| Denominated in U.S. dollars | | **-** | | 69 |
| **Total cash** | **$** | **-** | $ | 158 |

## 6 TRADE AND OTHER PAYABLES

The Company's trade and other payables are broken down as follows:

| | | **As at October 31, 2016** | | As at October 31, 2015 |
|---|---|---|---|---|
| Trade payables (Note 14) | **$** | **304,588** | $ | 86,086 |
| Accrued liabilities | | **63,391** | | 64,224 |
| **Total trade and other payables** | **$** | **367,979** | $ | 150,310 |

Included in trade and other payables are amounts due to related parties which are disclosed in Note 14.

(Expressed in Canadian dollars)

## 7 NOTE PAYABLE

There was a note payable to Waterton at October 31, 2014. The credit facility due to Waterton was extinguished as a result of Waterton taking ownership of MRCI, effective October 7, 2013 (Note 1).

| | **As at October 31, 2016** | As at October 31, 2015 |
|---|---|---|
| Balance, beginning | **$ -** | $ 10,578 |
| Accrued interest | **-** | 690 |
| Extinguished | **-** | (11,268) |
| **Balance, ending** | **$ -** | $ - |

## 8 SHARE CAPITAL

### 8.1 Authorized share capital

The Company has authorized an unlimited number of common shares with no par value. At October 31, 2016, the Company had 3,161,570 common shares outstanding (October 31, 2015: 3,161,570 – adjusted for 100:1 rollback). The Company completed the implementation of the 100:1 share rollback as approved at the 2014 Annual General Meeting and by the Exchange on February 24, 2015. All share and per share amounts have been retroactively adjusted to reflect the share consolidation.

### 8.2 Shares issuances

No shares were issued during the years ended October 31, 2016 and October 31, 2015.

### 8.3 Share purchase warrants

The following is a summary of the changes in the Company's share purchase warrants.

| | Number of warrants | Weighted average life (years) | Weighted average exercise price |
|---|---|---|---|
| **Outstanding, October 31, 2016, and 2015** | **2,233,857** | 0.84 | $ 10.00 |

(Expressed in Canadian dollars)

## 8 SHARE CAPITAL (Continued)

### 8.3 Share purchase warrants (continued)

The following table summarizes information regarding share purchase warrants outstanding as at October 31, 2016.

| Date issued | Number of warrants | Exercise price | Expiry date |
|---|---|---|---|
| 9 August 2012 – Warrants | 884,175 | $ 10.00 | 9 August 2017 |
| 9 August 2012 – Compensation options | 20,803 | 6.50 | 9 August 2017 |
| 31 August 2012 – Warrants | 166,027 | 10.00 | 31 August 2017 |
| 31 August 2012 – Compensation options | 13,282 | 6.50 | 31 August 2017 |
| 19 September 2012 – Warrants | 1,086,945 | 10.00 | 19 September 2017 |
| 19 September 2012 – Compensation options | 62,625 | 6.50 | 19 September 2017 |
| | 2,233,857 | $ 10.00 | |

### 8.4 Stock options

The Company established a share purchase option plan whereby the Board may from time to time grant stock options to directors, officers, employees or consultants up to 102,442 shares at any time. Options granted must be exercised no later than ten years from date of grant or such lesser period as determined by the Company's board of directors. The exercise price of an option will be set by the Board of Directors at the time such option is granted and cannot be less than the closing market price on the Exchange on the last trading day preceding the grant date, less any allowable discounts that may be permitted under applicable exchange policies.

The following is a summary of the changes in the Company's stock option plan for the years ended October 31, 2016 and October 31, 2015:

| | | **Year ended October 31, 2016** | | Year ended October 31, 2015 |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise price $** | Number of options | Weighted average exercise price $ |
| Outstanding, beginning | **18,866** | **14.50** | 22,366 | 17.50 |
| Expired | **(1,500)** | **55.00** | - | - |
| Cancelled | **-** | **-** | (3,500) | 29.86 |
| **Outstanding, ending** | **17,366** | **11.00** | 18,866 | 14.50 |

No options were granted during the years ended October 31, 2016 and 2015.

(Expressed in Canadian dollars)

## 8 SHARE CAPITAL (Continued)

### 8.4 Stock options (continued)

The following table summarizes information regarding stock options outstanding and exercisable as at October 31, 2016.

| Exercise price | Number of options outstanding | Weighted average remaining contractual life (years) | Weighted average exercise price $ |
|---|---|---|---|
| **Options outstanding** | | | |
| $10.00 - $19.00 | 17,366 | 0.92 | 11.00 |
| | **17,366** | **0.92** | **11.00** |

### 8.5 Reserves

**Stock option reserve**
The stock option reserve records items recognized as share-based payments expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

**Warrant reserve**
The warrant reserve records the fair value of the warrants issued for services until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

## 9 ADMINISTRATION EXPENSES

The administration expenses for the Company are broken down as follows:

| | **Year ended October 31, 2016** | Year ended October 31, 2015 |
|---|---|---|
| Accounting (recovery) | **$ 13,670** | $ (688) |
| Annual general meeting | **-** | 6,870 |
| Consulting and director fees | **189,000** | 53,222 |
| Couriers | **-** | 184 |
| Filing fees | **12,864** | 8,690 |
| Bank service charges | **182** | 1,293 |
| Legal (recovery) | **373** | (6,834) |
| Office expenses | **721** | 7,292 |
| Shareholder relations | **-** | 6,708 |
| Travel | **-** | 3,498 |
| **Total administration expenses** | **$ 216,810** | $ 80,235 |

(Expressed in Canadian dollars)

## 10 TAXES

### 10.1 Provision for income taxes

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

| | | **Year ended October 31, 2016** | | Year ended October 31, 2015 |
|---|---|---|---|---|
| Net loss for the year | **$** | **(217,827)** | $ | (107,249) |
| Expected income recovery | | **(56,635)** | | (27,885) |
| Change in unrecognized deductible temporary differences | | **56,635** | | 27,885 |
| **Total income tax recovery** | **$** | **-** | $ | - |

### 10.2 Temporary tax differences and expiry dates

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

| | | **Year ended October 31, 2016** | | Year ended October 31, 2015 |
|---|---|---|---|---|
| Property and equipment | **$** | **108,000** | $ | 108,000 |
| Share issue costs | **$** | **240,000** | $ | 951,000 |
| Allowable capital losses | **$** | **20,770,000** | $ | 20,770,000 |
| Non-capital losses available for future periods | **$** | **15,350,000** | $ | 14,420,000 |

The tax pools relating to these deductible temporary differences expire as follows:

| | **Canadian non-capital losses** | **Equipment** | **Share issue costs** | **Allowable capital losses** |
|---|---|---|---|---|
| 2027 | $ 4,000 | $ - | $ - | $ - |
| 2028 | 81,000 | - | - | - |
| 2029 | 928,000 | - | - | - |
| 2030 | 1,911,000 | - | - | - |
| 2031 | 2,222,000 | - | - | - |
| 2032 | 4,005,000 | - | - | - |
| 2033 | 3,485,000 | - | - | - |
| 2034 | 966,000 | - | - | - |
| 2035 | 818,000 | - | - | - |
| 2036 | 930,000 | | | |
| No expiry | - | 108,000 | 240,000 | 20,770,000 |
| | $ 15,350,000 | $ 108,000 | $ 240,000 | $ 20,770,000 |

(Expressed in Canadian dollars)

## 11 LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following data:

| | Year ended October 31, 2016 | Year ended October 31, 2015 |
|---|---|---|
| Net loss for the year | **$ (217,827)** | $ (107,249) |
| Weighted average number of shares – basic and diluted | **3,161,570** | 3,161,570 |
| **Loss per share, basic and diluted** | **$ (0.07)** | $ (0.03) |

## 12 CAPITAL RISK MANAGEMENT

The Company's objectives are to safeguard its ability to continue as a going concern in order to support its normal operating requirements. The Company is dependent on external financing to fund its activities currently. In order to pay for general administration costs, the Company will issue shares or debt. The Company will continue to assess new properties and seek to acquire an interest in additional properties if there is sufficient geologic or economic potential and if adequate financial resources are available. As at October 31, 2016, the Company's capital structure consists of the equity of the Company (Note 8). The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management.

## 13 FINANCIAL INSTRUMENTS

### 13.1 Categories of financial instruments

| | As at October 31, 2016 | As at October 31, 2015 |
|---|---|---|
| **FINANCIAL ASSETS** | | |
| **FVTPL** | | |
| Cash | **$ -** | $ 158 |
| **Total financial assets** | **$ -** | $ 158 |
| **FINANCIAL LIABILITIES** | | |
| **Other liabilities, at amortized cost** | | |
| Trade payables | **$ 304,588** | $ 86,086 |
| **Total financial liabilities** | **$ 304,588** | $ 86,086 |

(Expressed in Canadian dollars)

## 13 FINANCIAL INSTRUMENTS (Continued)

### 13.2 Fair value

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

| | **As at October 31, 2016** | As at October 31, 2015 |
|---|---|---|
| **LEVEL 1** | | |
| **Financial assets at fair value** | | |
| Cash | **$ -** | $ 158 |
| **Total financial assets at fair value** | **$ -** | $ 158 |

There were no transfers between Level 1 and 2 during the years ended October 31, 2016 and October 31, 2015.

### 13.3 Management of financial risks

The financial risk arising from the Company's operations are credit risk, liquidity risk, interest rate risk and currency risk. These risks arise from the normal course of operations and all transactions undertaken are to support the Company's ability to continue as a going concern. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

**Credit risk**

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's cash. The Company manages its credit risk relating to cash by dealing only with highly rated Canadian and United States financial institutions. As a result, credit risk is assessed as low.

**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 manages liquidity risk by continuously monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities. Liquidity risk is assessed high.

## 13 FINANCIAL INSTRUMENTS (Continued)

### Interest rate risk

Interest rate is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company currently is not exposed to interest rate risk.

### Currency risk

Foreign currency risk is limited to the portion of the Company's business transactions denominated in currencies other than the Canadian dollar. The Company has insignificant levels of cash held in US dollars.

The following table provides an indication of the Company's foreign currency exposures as at October 31, 2016 and 2015:

| | **As at October 31, 2016** | As at October 31, 2015 |
|---|---|---|
| Cash | **$ -** | $ 69 |

## 14 RELATED PARTY TRANSACTIONS

The remuneration of directors and other members of key management for the years ended October 31, 2016 and 2015 are as follows:

| | **Year ended October 31, 2016** | Year ended October 31, 2015 |
|---|---|---|
| Short-term benefits | **$ -** | $ 48,339 |
| Consulting fees | **63,000** | - |
| | **$ 63,000** | $ 48,339 |

Included in trade and other payables is $82,568 (2015: $95,821) owing to current and former officers and directors (Note 6).