Rae-Wallace Mining Company

Unaudited Interim Condensed Financial Statements

For the three and six month periods ended
June 30, 2017 and 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim condensed financial statements of Rae-Wallace Mining Company, are the responsibility of the management and Board of Directors of the Company.

The unaudited interim condensed financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Chris Irwin", President and Director
Chris Irwin

"Marco Guidi", CFO
Marco Guidi

NOTICE TO READER

The accompanying unaudited interim condensed financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim financial statements for the three and six months ended June 30, 2017 and 2016 have not been reviewed by the Company's auditors.

RAE-WALLACE MINING COMPANY
UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION
(expressed in U.S. Dollars)

		June 30, 2017		December 31, 2016
ASSETS				
CURRENT ASSETS:				
Cash	$	12,431	$	31,667
TOTAL CURRENT ASSETS		12,431		31,667
TOTAL ASSETS	$	12,431	$	31,667
LIABILITIES AND SHAREHOLDERS' DEFICIENCY				
CURRENT LIABILITIES:				
Accounts payable (Note 11)	$	119,747	$	103,577
Notes payable - related parties (Note 8)		5,612		5,612
TOTAL CURRENT LIABILITIES		125,359		109,189
SHAREHOLDERS' DEFICIENCY:				
Capital stock (Note 4)		3,343,161		3,343,161
Reserve for warrants (Note 7)		888,000		888,000
Reserve for share based payments (Note 6)		332,000		332,000
Accumulated deficit		(4,676,089)		(4,640,683)
TOTAL SHAREHOLDERS' DEFICIENCY		(112,928)		(77,522)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$	12,431	$	31,667

Nature of Operations and Going Concern (Note 1)

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

RAE-WALLACE MINING COMPANY

UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE LOSS

(expressed in U.S. Dollars)

	Three months ended,		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
OPERATING EXPENSES:				
Consulting fees (Note 8)	$ 2,539	$ 2,236	$ 5,539	$ 5,236
Professional fees	7,633	9,534	16,077	17,740
Other general and administrative expenses	3,201	2,778	10,804	3,342
	(13,373)	(14,548)	(32,420)	(26,318)
Foreign exchange loss	(2,262)	(379)	(2,986)	(1,907)
NET LOSS	$ (15,635)	$ (14,927)	$ (35,406)	$ (28,225)
NET LOSS PER SHARE				
- BASIC AND DILUTED	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING,				
BASIC AND DILUTED	27,704,523	27,704,523	27,704,523	27,704,523

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

RAE-WALLACE MINING COMPANY

UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY

(expressed in U.S. Dollars)

	Common Stock		Reserve for Warrants	Reserve for Share based payments	Accumulated Deficit	Total Stockholders' Deficiency
	Shares	Amount				
Balance, January 1, 2015	27,704,523	$ 3,343,161	$ 888,000	$ 332,000	$ (4,596,701)	$ (33,540)
Net loss	-	-	-	-	(28,225)	(28,225)
Balance, June 30, 2016	27,704,523	$ 3,343,161	$ 888,000	$ 332,000	$ (4,624,926)	$ (61,765)
Net loss	-	-	-	-	(15,757)	(15,757)
Balance, December 31, 2016	27,704,523	$ 3,343,161	$ 888,000	$ 332,000	$ (4,640,683)	$ (77,522)
Net loss	-	-	-	-	(35,406)	(35,406)
Balance, June 30, 2017	27,704,523	$ 3,343,161	$ 888,000	$ 332,000	$ (4,676,089)	$ (112,928)

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

RAE-WALLACE MINING COMPANY
UNAUDITED INTERIM STATEMENTS OF CASH FLOWS
(expressed in U.S. Dollars)

	Six months ended June 30, 2017	Six months ended June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (35,406)	$ (28,225)
Changes in assets and liabilities:		
Accounts payable and accrued liabilities	16,170	4,956
Net cash used by operating activities	(19,236)	(23,269)
Net decrease in cash and cash equivalents	(19,236)	(23,269)
CASH AT BEGINNING OF PERIOD	31,667	68,998
CASH AT END OF PERIOD	$ 12,431	$ 45,729

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

General

Rae-Wallace Mining Company (hereinafter "Rae-Wallace" or "the Company") was incorporated under the laws of the State of Idaho in 1916. After several decades of dormancy, the Company reorganized in 1997 as an exploration stage company focused on evaluating, acquiring and exploring mineral prospects with potential for economic deposits of gold and silver. In 2011, the Company was re-domiciled to the Cayman Islands. The Company's head office is located at 400 – 365 Bay Street, Toronto, ON, M5H 2V1.

1. NATURE OF OPERATIONS AND GOING CONCERN

At June 30, 2017 the Company had working capital deficiency of $112,928 (December 31, 2016 - $77,522 working capital deficiency) had not yet achieved profitable operations, had accumulated losses of $4,676,089 (December 31, 2016 - $4,640,683) and expects to incur further losses in the development of its business, all of which raises substantial doubt upon the Company's ability to continue as a going concern. Rae-Wallace will require additional financing in order to operate and meet its ongoing levels of corporate overhead and discharge its liabilities as they come due.

These financial statements have been prepared on a going-concern basis which assumes that the Company will be able to realize assets and discharge liabilities in the normal course of business. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption were not used then the adjustments required to report Rae-Wallace's assets and liabilities on a liquidation basis could be material to these financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These unaudited interim condensed financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These unaudited interim condensed financial statements were authorized by the Board of Directors of the Company on August 9, 2017.

2.2 Basis of presentation

These unaudited interim condensed financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's December 31, 2016 audited annual financial statements.

2. BASIS OF PREPARATION, (continued)

2.3 Recent accounting pronouncements

New Accounting Pronouncements
Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2018 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. 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. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. 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. Earlier adoption is permitted. The Company has not yet determined the impact of the amendments on the Company's financial statements.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"). In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2018. Application of the standard is mandatory and early adoption is permitted. The Company has not yet determined the impact of the amendments on the Company's financial statements.

3. MINERAL PROPERTIES

ES/EZ Properties:

On October 30, 2007, the Company signed an agreement with Trend Resources, LLC which transferred ownership of all 54 unpatented lode mining claims on the EZ Project and all 26 unpatented lode mining claims on the ES Project, both of which are located in While Pine County, Nevada.

On June 14, 2011 Rae-Wallace optioned the properties to Nicholas I. Goyak for an initial cash payment of $10,000 for each property plus work commitments and final cash payments of $1,000,000 and other considerations due by September 30, 2014. Goyak defaulted by failing to complete the work commitments nor making the final payments.

On December 9, 2014 Rae-Wallace and Goyak renegotiated terms for an Amending Agreement. However Goyak failed to make the initial payments ($10,000 each) required by the Amending Agreement and the Company declared default and the properties were returned to the Company.

On October 21, 2015, the Company entered into an agreement with Nevada Eagle LLC ("Nevada Eagle") whereby the Company has sold its 100% interest in certain un-patented mining claims located in White Pine County, State of Nevada in exchange for a 0.5% net smelter return royalty ("NSR") on potential production from the mining claims. Pursuant to the terms of the purchase and sale agreement Nevada Eagle has the one time option, two months following the completion of a feasibility study, to buy back the NSR for a price of USD$500,000.

On November 2, 2015 the Company entered into a termination agreement (the "Termination Agreement") with Pilot Gold Inc. ("Pilot") providing for the full termination of the property option agreement entered into with Pilot dated July 22, 2010 (the "Property Option"), and Pilot's option to acquire additional shares and convertible securities of the Company (the "Pilot Option") as contemplated by the original termination agreement entered into between Pilot and the Company on July 19, 2012 (the "Original Termination Agreement"). Pursuant to the terms of the Termination Agreement, in consideration for the full termination of the Pilot Option, the Property Option, and the Original Termination Agreement, and the cancellation of 1,000,000 share purchase warrants of the Company ("Warrants") held by Pilot, the Company issued to Pilot 1,552,900 valued at $2,329 ($0.0015 per share) ordinary shares in the capital of the Company (the "Share Issuance"). For greater certainty, following the Share Issuance, the Company was fully released from its obligations to issue any further shares or additional Warrants to Pilot.

(expressed in US dollars)

4. CAPITAL STOCK

Share Capital
Rae-Wallace is authorized to issue an unlimited number of common shares. The issued and outstanding common shares consist of the following:

	Number	Amount ($)
Balance at January 1, 2016, December 31, 2016 and June 30, 2017	**27,704,523**	**3,343,161**

5. SHARE BASED PAYMENTS

Rae-Wallace established a stock option plan ("Plan") to provide additional incentive to its officers, directors, employees and consultants in their effort on behalf of the Company in the conduct of its affairs. The Plan authorizes the granting of up to 10,000,000 stock options to employees, directors and consultants. Options vest immediately and expire on the fifth anniversary from the date of issue unless otherwise specified.

As at December 31, 2016 and June 30, 2017, there are no stock options outstanding.

6. RESERVE FOR SHARE BASED PAYMENTS

	June 30, 2017	December 31, 2016
Balance at beginning of period/year	**$ 332,000**	$ 332,000
Balance at end of period/year	**$ 332,000**	$ 332,000

7. RESERVE FOR WARRANTS

	June 30, 2017	December 31, 2016
Balance at beginning of period/year	**$ 888,000**	$ 888,000
Balance at end of period/year	**$ 888,000**	$ 888,000

A summary warrants issued and outstanding is as follows:

Date Issued	**Expiry Date**	**No. of Warrants**	**Exercise Price** ($)
December 7, 2010	24 months from the date of a liquidity event	1,698,000	Lesser of 0.50 and price of warrants issued in connection with liquidity event
December 30, 2010	24 months from the date of a liquidity event	1,195,000	Lesser of 0.50 and price of warrants issued in connection with liquidity event
May 20, 2011	36 months from the date of a liquidity event	2,970,000	0.35
June 3, 2011	36 months from the date of a liquidity event	390,000	0.35
		6,253,000	

8. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

During the six month period ended June 30, 2017, $3,000 (2016 - $6,000) was charged for services by the former Chief Financial Officer.

During the six month period ended June 30, 2017, $3,000 (2016 - $nil) was charged for services by the current Chief Financial Officer.

During the six month period ended June 30, 2017, the Company was charged a total of $10,515 (2016 - $nil) in legal fees by a law firm in which the President and Director of the Company is a partner.

These expenses have been measured at their exchange amount, being the amounts negotiated and agreed to by the parties to the transactions. As at June 30, 2017, $76,283 (December 31, 2016 - $5,000) of amounts due to related parties is included in accounts payable and accrued liabilities.

Management believes these transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As of June 30, 2017, $5,612 (December 31, 2016 - $5,612) in interest accrued on promissory notes previously issued by directors and officers is still outstanding to be paid.

9. MANAGEMENT OF CAPITAL

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its shareholders’ equity. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds 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 six month period ended June 30, 2017. The Company is not subject to externally imposed capital requirements.

The Company considers its capital to be shareholders’ equity, which is comprised of capital stock, reserves, and accumulated deficit, which as at June 30, 2017 totaled $(112,928) (December 31, 2016 - $(77,522)).

The Company's objective when managing capital is to obtain adequate levels of funding to support its exploration activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the identification and development of precious metals deposits.

The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

10. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments
The Company designed its cash as Fair Value Through Profit and Loss ("FVTPL") instruments, which is measured at fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The carrying value of the Company's cash, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these investments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject in and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

Credit Risk
The Company is not exposed to major credit risk attributable to customers. Additionally, the majority of the Company's cash is held with a high rated Canadian financial institution in Canada.

Interest Rate Risk
The Company invests cash surplus to its operational needs in investment-grade short term deposits certificates issued by the bank where it keeps its Canadian and U.S. Bank accounts. The Company periodically assesses the quality of its investments with this bank and is satisfied with the credit rating of the bank and the investment grade of its short term deposits certificates. A change in the interest rate of 1% would cause interest income to change by less than $125 (2016 - $500).

Foreign Currency Risk
The Company's funds are predominantly kept in Canadian dollars, with a major Canadian financial institution. As at June 30, 2017 and December 31, 2016, the Company believes that it is not exposed to major foreign currency risks.

Liquidity Risk
The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2017, the Company had current assets of $12,431 (December 31, 2016 - $31,667) and current liabilities of $125,359 (December 31, 2016 - $109,189). All of the Company's financial liabilities and receivables have contractual maturities of less than 90 days and are subject to normal trade terms. Current working capital deficiency of the Company is $112,928 (December 31, 2016 - $77,522 working capital deficiency).

(expressed in US dollars)

11. TRADE AND OTHER PAYABLES

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade and other payables:

	As at,	
	June 30, 2017	December 31, 2016
1-3 months	**$ 12,616**	$ 5,211
Over 3 months	**107,131**	98,366
Total Trade and Other Payables	**$ 119,747**	$ 103,577