Altitude Resources Inc.

Condensed Interim Consolidated Financial Statements

For the three and six months ended January 31, 2017

(Expressed in Canadian Dollars)

(unaudited)

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NOTICE TO SHAREHOLDERS

MANAGEMENT'S RESPONSIBILITY FOR CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited condensed interim consolidated financial statements of Altitude Resources Inc. ("Altitude") are the responsibility of the Board of Directors. The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These unaudited condensed interim consolidated financial statements do not include all of the disclosures required for annual financial statements and therefore should be read in conjunction with Altitude's audited annual financial statements and notes thereto for the year ended July 31, 2016. These unaudited condensed interim consolidated financial statements follow the same significant accounting policies and methods of application as those included in Altitude's most recent audited annual financial statements. Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to Altitude's circumstances. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34, Interim Financial reporting using accounting policies consistent with IFRS appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of Altitude, as of the date of, and for the period presented by, the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements and for ensuring that management fulfills its financial reporting responsibilities.

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

"Signed"

Eugene Wusaty
President & Chief Executive Officer

"Signed"

Doug Porter
Chief Financial Officer

AUDITOR INVOLVEMENT

The accompanying unaudited condensed interim consolidated financial statements of Altitude have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements as at and for the three and six months ended January 31, 2017 have not been reviewed by Altitude's auditors.

Altitude Resources Inc.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
As at January 31, 2017
(unaudited)

		Jan 31 2017		July 31 2016
Assets				
Current				
Cash and cash equivalents	$	**237,402**	$	-
Amounts receivable		**57,858**		514,041
Due from related party (Note 6)		**12,779**		12,779
		308,039		526,820
Exploration and evaluation assets (Note 7)		**2,867,013**		2,457,298
Prepaid property advances		**126,078**		120,000
	$	**3,301,130**	$	3,104,118
Liabilities				
Current				
Bank indebtedness	$	**-**	$	14,327
Accounts payable and accrued liabilities		**1,197,583**		1,227,100
Due to related parties (Note 6)		**177,662**		105,921
		1,375,245		1,347,348
Shareholders' Equity				
Share capital (Note 8)		**4,093,353**		3,784,603
Warrants (Note 9)		**600,735**		600,735
Contributed surplus (Note 9)		**104,378**		104,378
Deficit		**(2,872,581)**		(2,732,946)
		1,925,885		1,756,770
	$	**3,301,130**	$	3,104,118

Nature of operations (Note 1)
Going concern (Note 2)
Commitments and contingencies (Notes 11)

Approved by the Board **"*Doug Porter*"** Director **(Signed)** **"*Gene Wusaty*"** Director **(Signed)**

Altitude Resources Inc.
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)
(unaudited)

	Share Capital Class "A" Voting Common Shares					
	Number	**Amount**	**Warrants**	**Contributed Surplus**	**Deficit**	**Total Equity**
Balance July 31, 2014	**21,794,797**	**3,581,834**	**590,504**	**47,478**	**(1,824,556)**	**2,395,260**
Flow through private placement (Note 8)	1,261,111	227,000	-	-	-	227,000
Share issue costs (Note 8)	-	(14,000)	-	-	-	(14,000)
Issuance of broker warrants (Note 9)	-	(10,231)	10,231	-	-	-
Stock-based compensation (Note 9)	-	-	-	4,679	-	4,679
Net loss and comprehensive loss	-	-	-	-	(674,424)	(674,424)
Balance, July 31, 2015	**23,055,908**	**$ 3,784,603**	**$ 600,735**	**$ 52,157**	**$ (2,498,980)**	**$ 1,938,515**
Stock based compensation (Note 9)	-	-	-	52,221	-	52,221
Net loss and comprehensive loss	-	-	-	-	(233,966)	(233,966)
Balance, July 31, 2016	**23,055,908**	**$ 3,784,603**	**$ 600,735**	**$ 104,378**	**$ (2,732,946)**	**$ 1,756,770**
Flow through private placement (Note 8)	3,200,000	320,000	**-**	**-**	-	320,000
Share issue costs (Note 8)	-	(11,250)	**-**	**-**	-	(11,250)
Net loss and comprehensive loss	-	-	**-**	**-**	(139,635)	(139,635)
Balance, January 31, 2017	**26,255,908**	**$ 4,093,353**	**$ 600,735**	**$ 104,378**	**$ (2,872,581)**	**$ 1,925,885**

Altitude Resources Inc.
Condensed Interim Consolidated Statements of Comprehensive Income/(Loss)
(Expressed in Canadian Dollars)
For the three and six months ended January 31, 2017
(unaudited)

	Three months ended 31-Jan-17	Three months ended 31-Jan-16	Six months ended 31-Jan-17	Six months ended 31-Jan-16
Expenses				
Salaries	$ **48,000**	$ 48,000	$ **96,000**	$ 96,000
General expenses	**39,213**	40,482	**43,635**	51,406
Net income/(loss) and comprehensive income/(loss)	$ **(87,213)**	$ (88,482)	$ **(139,635)**	$ (147,406)
Loss per share				
Basic and diluted	$ **(0.00)**	$ (0.00)	$ **(0.01)**	$ (0.01)
Weighted average number of common shares outstanding				
Basic and diluted	**24,168,951**	23,055,908	**23,612,430**	23,055,908

Altitude Resources Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
For the three and six months ended January 31, 2017
(unaudited)

	Three months ended 31-Jan-17	Three months ended 31-Jan-16	Six months ended 31-Jan-17	Six months ended 31-Jan-16
Cash provided by (used in)				
Operations				
Income(loss) and comprehensive income/(loss)	$ (87,213)	$ (88,482)	$ (139,635)	$ (147,406)
Items not affecting cash				
Amortization	-	-	-	-
	(87,213)	(88,482)	(139,635)	(147,406)
Net changes in non-cash working capital				
Amounts receivable	66,956	219,828	456,183	(100,948)
Accounts payable and accrued liabilities	18,815	(455,701)	42,224	205,747
Prepaid expenses	(5,000)	(32,637)	(6,078)	(41,137)
	(6,442)	(356,992)	352,694	(83,744)
Investing				
Exploration and evaluation assets	(50,288)	(74,759)	(409,715)	11,205
Capital assets	-	-	-	-
	(50,288)	(74,759)	(409,715)	11,205
Financing				
Issuance of flow through shares, net of commissions	308,750	-	308,750	-
Capital assets	-	-	-	-
	308,750	-	308,750	-
Net change in cash and cash equivalents	252,020	(431,751)	251,729	(72,539)
Cash and cash equivalents, beginning of period	(14,618)	466,509	(14,327)	107,297
Cash and cash equivalents, end of period	$ 237,402	$ 34,758	$ 237,402	$ 34,758

1. NATURE OF OPERATIONS

Altitude Resources Inc. was incorporated under the Business Corporations Act (Ontario) as Triumph Ventures III Corporation ("Triumph"')) on January 19, 2011. Triumph commenced trading on the TSX Venture Exchange as a Capital Pool Company on March 15, 2012. On December 31, 2012, Triumph was acquired by Altitude Resources Ltd., a privately-owned Alberta incorporated company, in a reverse takeover ("RTO") transaction. The RTO was completed by means of a triangular amalgamation in which Altitude Resources Ltd. amalgamated with a wholly-owned subsidiary of Triumph. Triumph was renamed Altitude Resources Inc. ("Altitude" or "the Company") on December 31, 2012. Shares of Altitude began trading on the TSX Venture Exchange under the symbol ALI on February 15, 2013.

Altitude is a junior coal exploration company with a current exploration focus in northwest Alberta. The primary office of the Company is located at #1100, 736 – 8th Avenue SW, Calgary, Alberta, Canada, T2P 1H4.

These financial statements were authorized for issue by the board of directors on April 3, 2017.

The Company is in the process of exploring, and has not yet fully determined the quality and quantity of coal resources on its properties. Accordingly, as is common with exploration companies, the Company is dependent upon obtaining necessary equity financing from time to time to finance its on-going and planned exploration activities and to cover administrative costs.

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. While the Company has been successful in securing financings in the past, there can be 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 and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the consolidated financial statements.

The reader is also directed to review note 13(c) - ***Financial instruments – Liquidity risk***.

At January 31, 2017, the Company had working capital deficit of $1,067,206, a net cash position of $237,402 and an accumulated deficit of $2,872,581. In order to meet its work commitments and planned exploration expenditures for its projects as well as further working capital requirements, it will be required to complete a financing (debt or equity). Management continues to work toward completing additional financing and is in discussions with several strategic investors to that end.

3. BASIS OF PRESENTATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 – Interim Financial Reporting on the basis of International Financial Reporting Standards ("IFRS"). IFRS represents standards and interpretations approved by the International Accounting Standards Board ("IASB"), and are comprised of IFRSs, International Accounting Standards ("IASs"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") or the former Standing Interpretations Committee ("SICs").

These unaudited condensed interim consolidated financial statements do not include all of the disclosures required for annual financial statements and therefore should be read in conjunction with the Altitude's audited annual financial statements and notes thereto for the year ended July 31, 2015. These unaudited condensed interim consolidated financial statements follow the same significant accounting policies and methods of application as those included in Altitude's most recent audited annual financial statements.

These unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which have been measured at fair value. In the opinion of management, all adjustments considered necessary for a fair presentation have been included.

The presentation and functional currency of the Company is the Canadian dollar.

4. SIGNIFICANT ACCOUNTING POLICIES

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

Recent Accounting Pronouncements

The accounting pronouncements detailed below have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

- Pronouncements effective for annual periods beginning on or after January 1, 2018:

  In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments. The new standard will replace IAS 39, Financial Instruments: recognition and measurement. The final amendments made in the new version include guidance for the classification and measurement of financial assets and a third measurement for financial assets, fair value through other comprehensive income. The standard also contains a new expected loss impairment model for debt instruments measured at amortized cost or fair value through other comprehensive income, lease receivables, contract assets and certain written loan commitments and financial guarantee contracts. The standard is effective for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exceptions. Early adoption is permitted. Restatement of prior periods in relation to the classification and measurement, including impairment, is not required.

(Expressed in Canadian Dollars)

5. REVERSE TAKE-OVER

Triumph Ventures III Corporation, now Altitude Resources Inc. completed a reverse take-over (RTO) with Altitude Resources Ltd. on December 31, 2012, and the name change from Triumph Ventures III Corporation to Altitude Resources Inc.

Upon completion of the RTO, the former shareholders of Altitude Resources Ltd. became the controlling shareholders of the Company. For accounting purposes, Altitude Resources Ltd. is the deemed acquirer and Triumph the deemed acquired company, and accordingly, Altitude Resources Ltd.'s balances are accounted for at cost and the balances of Triumph are accounted for at fair value. Since the operations of Triumph do not constitute a business, this transaction has been accounted for as a reverse takeover that is not a business combination. Therefore, the share capital and deficit of Triumph as at December 31, 2012, were eliminated, the fair value of the shares of Triumph on December 31, 2012, was allocated to share capital and the transaction costs were expensed.

The RTO involved the amalgamation of Altitude Resources Ltd. with a wholly-owned subsidiary of the Company. Pursuant to the RTO, the Company acquired all of the issued and outstanding common shares of Altitude Resources Ltd. in exchange for the issuance of an aggregate of 20,336,952 common shares of the Company. The RTO was approved by the shareholders of Triumph on November 29, 2012 and the shareholders of Altitude Resources Ltd. on December 24, 2012. The former shareholders of Triumph hold 1,457,845 common shares, which represents the common shares outstanding in Triumph immediately prior to the RTO, taking into effect a 2 for 1 share consolidation.

Details of the RTO were as follows:

The total purchase price of $714,344 has been allocated as follows:

Cash and cash equivalents	$ 186,782
Accounts payable and accrued liabilities	(43,519)
Net assets acquired	$ 143,263
Warrants	$ (22,193)
Listing expense	593,274
Purchase price:	$ 714,344

Consideration comprised of:

Fair value of common shares	$ 714,344

The fair value of the Triumph warrants outstanding at RTO was estimated at the RTO date using the Black-Scholes model with the following weighted average assumptions: (I) dividend yield of 0%; (II) expected volatility of 110%; (III) a risk free interest rate of 1.14%; (IV) an expected life of 1.2 years and (V) a share price of $0.49. Expected volatility was based on comparable companies.

The transaction costs relating to the RTO were expensed.

(Expressed in Canadian Dollars)

6. DUE TO AND FROM A RELATED PARTY

Due from a related party is a non-interest bearing loan, unsecured and repayable on demand. There are no fixed terms of repayment.

Due to a related party is a loan payable in the amount of $30,000 to a company with a related director. The principal was due December 15, 2014, bears an annual interest rate of 8% accrued monthly and added to the principal. The loan is convertible into the next financing at the option of the holder. Interest of $5,688 is accrued as at January 31, 2017.

7. EXPLORATION AND EVALUATION ASSETS

	Jan 31, 2016	July 31, 2016
Balance beginning of year – Palisades Property	**$ 2,457,298**	$ 2,382,284
Acquisition cost and leases	**10,966**	15,597
Exploration	**398,749**	2,277,234
JOGMEC contribution	**-**	(2,217,817)
Balance end of period – Palisades Property	**2,867,013**	2,457,298
Balance beginning of year – Elan Coal Property	**-**	-
Acquisition cost	**-**	-
Exploration	**-**	49,000
Kuro’s contribution	**-**	-
Write down of Elan Coal Property	**-**	(49,000)
Balance ending of period – Elan Coal Property	**-**	-
	$ 2,867,013	$ 2,457,298

Palisades Property

The Company’s 100% owned Palisades Property is comprised of six contiguous Alberta Crown Coal leases acquired directly from the Alberta Department of Energy between September 2010 and February 2011. Five of the leases are included within Alberta Department of Energy’s Category 4 classification; the sixth lease is a combination of Category 4 and Category 2 lands. There are no work commitments associated with the Palisades Property. The only ongoing obligation is the payment of the annual lease (currently $3.50 per hectare) for a 15 year period from the commencement of the leases.

The Palisades Property totals 4,648 hectares. It is located approximately 28 kilometres northwest of the town of Hinton, Alberta.

Palisades Extension Application

The Palisades Extension Application was acquired by the Company in October 2011. It is comprised of one Alberta Crown Coal lease application totaling 7,034 hectares. This property

7. EXPLORATION AND EVALUATION ASSETS (Cont'd)

falls entirely in Coal Category 2 of A Coal Development Policy for Alberta. For Category 2 properties, a formal Alberta Crown Coal lease will not be issued until such time as the Alberta Department of Energy reaches a decision on its Coal Policy. Application holders are, however, free to perform some limited exploration work on the properties. The Palisades Extension Application is contiguous to the northeast of the Company's Palisades Property.

Moberley Creek Application

The Moberley Creek Application was acquired by the Company in January 2012. It is comprised of four Alberta Crown Coal lease applications totaling 5,376 hectares. This property falls entirely in Coal Category 2 of A Coal Development Policy for Alberta. The Moberley Creek Application is located approximately 12.5 kilometres from the northern tip of the Company's Palisades Extension Application.

Altitude North Applications

The Altitude North Application was acquired by the Company in October 2012. It is comprised of three Alberta Crown Coal lease applications totaling 5,244 hectares. This property falls entirely in Coal Category 2 of A Coal Development Policy for Alberta. The Altitude North Application is located approximately 30 kilometres northwest from the northern tip of the Company's Moberly Creek Application.

2016 / 2017 Activity

On April 8, 2015, the Company entered into the Joint Exploration Agreement with Japan Oil, Gas and Metals National Corporation ("JOGMEC") to explore Palisades metallurgical coal project in West Central Alberta, Canada. Through a joint exploration arrangement JOGMEC has agreed to acquire up to a 51% interest in the Company's Palisades Coal Project based on the three (3) farm in milestones which include field work, drilling and completion of mining study.

During the First Farm-in period (ended on March 31, 2016), JOGMEC contributed $1,500,000 in cash ($1,192,605 was contributed during fiscal 2016; 2015 - $307,395) towards exploration on the Palisades Project. During the second Farm-In period (ends March 31, 2017 or until the required contribution is received), JOGMEC shall contribute $1,500,000 towards exploration on the Palisades Project. This will earn JOGMEC an unencumbered right, title and benefit to thirty-one point eight seven five percent (31.875%) of the Property. During the third Farm-In Period (ends March 31, 2018 or until the required contribution is received) JOGMEC shall contribute $1,800,000 towards exploration on the Palisades Project. As at July 31, 2016, JOGMEC had contributed $1,025,213 towards its Second Farm-In obligation.

As of completion of the Earn-In Period, the respective actual or deemed equitable interests in the Palisades Project shall be: (i) if JOGMEC has contributed a total amount of $3,000,000 by the end of second Farm-In Period: Altitude 68.125% JOGMEC 31.875% (ii) if JOGMEC has contributed a total amount of CAN$4,800,000 by the end of third Farm-In Period: Altitude 49%, JOGMEC 51%.

7. EXPLORATION AND EVALUATION ASSETS (Cont'd)

The Company was the operator under the JOGMEC Joint Venture Agreement pursuant to which it earned an operating fee on any exploration expenditures. There were $177,425 operating fees for the year ended July 31, 2016 (2015 - $nil). As the income from operating the JOGMEC Joint Venture was not related to the Company's primary business of exploring and mining mineral properties the net operator income has been shown under other income and not as revenue and expense on the statements of operations.

Exploration and Option agreement with Elan Coal Ltd.

On August 8, 2013 the Company ("ALI") entered into an Exploration and Option Agreement with Elan Coal Ltd ("Elan"), a company with a related director who is a private non-arm's length party. Under the terms of the agreement the Company will acquire an option to earn up to 51% interest in Elan Coal Ltd's coal properties upon making an initial cash payment of $200,000 (paid) to Elan to fund field work and completing a financing of a minimum of $2,000,000. Due to poor financial market conditions ALI was not able to raise the minimum $2,000,000. As of July 31, 2014, ALI had advanced a total of $256,917 to Elan to fund certain early exploration activities.

On November 10, 2014, ALI and Elan signed a Limited Partnership Agreement ("LP Agreement") with Kuro Coal Limited ("Kuro") to develop the Elan Project. Elan Project comprises of 27 leases totaling approximately 25,612 hectares. Kuro has the opportunity to acquire up to a 70% interest in the Elan Project upon successful completion of, amongst other exploration requirements, financing and a feasibility study. Assuming Kuro fulfills all requirements to earn its 70% interest under the LP Agreement, ALI will retain an ownership equal to 12.5% and Elan will retain an ownership equal to 17.5%. The LP Agreement allows for additional earn-in options which could be exercised by Kuro upon completion of initial contribution. To earn an initial interest of 20%, Kuro had the following requirements:

1- Pay ALI $150,000 as per LP Agreement (paid) and recorded by ALI as a credit against the previously capitalized assets of $256,914.

2- Within 5 business days of Kuro listing its shares on a public exchange, enter into the subscription agreement with Elan and ALI to issue 1,312,500 and 187,500 shares respectively for no consideration at $.20 per common share. If listing has not occurred after six months of the effective date of LP Agreement, Kuro will pay each Elan and ALI the cash equivalent value of such shares assuming an issue price of $.20 per common share; (this has not been completed) and

3- Fund, no later than December 31, 2014, 100% of costs in relation to operations pursuant to adopted programs and budgets totaling in the aggregate no less than $500,000 (this has been completed.

Kuro has not yet earned its 20% interest as the 2nd requirement above, the listing of the Shares of Kuro on a recognized stock exchange and then the issuance of shares to Elan and ALI, has not happened. Kuro is negotiating to extend the requirement to complete a public listing or pay the cash equivalent as per LP Agreement.

During the year-ended July 31, 2016, ALI advanced $49,000 to Elan. Based on the analysis of IFRS-6 indicators, management concluded that it would be appropriate to impair its net investment into the Elan Project of $49,000 as at July 31, 2016 due to delays experienced to date and uncertainties surrounding Kuro's ability to fund the LP. The impairment loss is

7. EXPLORATION AND EVALUATION ASSETS (Cont'd)

recognized in other expenses. In 2015, $73,706 was advanced and impaired for similar reasons.

8. SHARE CAPITAL

Authorized, unlimited Class "A" Voting Common Shares

On December 30, 2016 the Company completed a private placement of 3,200,000 flow-through common shares at a price of $0.10 per flow-through share by way of a non-brokered private placement for total gross proceeds of $320,000. There was no flow-through share premium associated with the issuance of flow-through common shares. The flow-through common shares were subject to a statutory hold period of four months and a day from the closing date of the offering.

The proceeds received by the Company from the sale of the flow-through common shares are to be used to incur eligible Canadian Exploration Expenses for ground exploration on the Company's Palisades Coal Project.

In connection with the closing of the offering, the Company paid a cash finder's fee $11,250.

9. STOCK OPTIONS AND WARRANTS

(a) Stock options

The Company has a stock option plan to provide officers, directors, employees and consultants of the Company with options to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the minimum exercise price of the options is the market price of the Company's stock on the date of grant. The maximum term of the options is five years and the options generally vest over a three year period, or as determined by the Company's board of directors.

On March 2, 2012, the Company granted an aggregate of 137,262 stock options to purchase common shares to its directors and officers, exercisable at a price of $0.40 per common share for a period of five years from the date of grant and vesting over a three year period. During the year ended July 31, 2015, the Company recorded a related stock based compensation expense of $4,681 (2014 – $16,717) using the following assumptions: (stock price - $0.49; exercise price - $0.40; term 4.16 years; volatility (based on comparable companies) – 110%; risk free rate – 1.33%).

On July 31, 2016, the Company granted an aggregate of 2,000,000 stock options to purchase common shares to its directors and officers, exercisable at prices ranging from $0.08 to $0.12, expiring on May 30, 2021 and vesting over a three year period. The Black-Scholes option pricing model was used to determine the fair value of the issued options of $52,221. The assumptions used were as follows: (stock price - $0.09; average exercise price - $0.10; term 5.0 years; volatility (based on comparable companies) – 130%; risk free rate – 0.75%; expected dividends of nil).

As at January 31, 2017, 2,137,262 options remain outstanding of which 807,262 are exercisable at January 31, 2017. The average exercise price of options outstanding is $0.10 and the remaining weighted average contractual life of the options is 4.29 years.

9. STOCK OPTIONS AND WARRANTS (continued)

(b) Warrants

During the year ended July 31, 2015 the Company issued finder's warrants exercisable for up to 77,778 common shares of the Company (the "Finder's Warrants"). The Finder's Warrants have an exercise price of $0.22 per share and expire eighteen months from the closing date of the offering. $10,231 of fair value of warrants was determined using Black-Scholes option pricing model with the following assumptions: stock price-$0.20; exercise price-$0.22; expected life – 1.5 years; risk free rate – 0.62%; volatility – 93%.

During the year ended July 31, 2016 these 77,778 warrants expired unexercised. As at October 31, 2016, no warrants are outstanding.

10. RELATED PARTY TRANSACTIONS

During the three and six month periods ended January 31, 2017, $30,000 and $60,000 (2016 - $30,000 and $60,000) in salary was accrued for payment to the President and Chief Executive Officer. All amounts remained in accounts payable at January 31, 2017. During the three month and six periods ended January 31, 2017, the Chief Financial Officer was paid $18,000 and $36,000 (2016 - $18,000 and $36,000). Of this amount, $12,000 remained in accounts payable at January 31, 2016 (2015 – $18,000).

11. COMMITMENTS AND CONTINGENCIES

Exploration and evaluation assets

Company's activities are subject to environmental regulation (including regular environmental impact assessments and permitting) in each of the jurisdictions in which its mineral properties are located. Such regulations cover a wide variety of matters including, without limitation, prevention of waste, pollution and protection of the environment, labour relations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees.

The Company has not determined and is not aware that any provision for such costs is required and is unable to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

12. CAPITAL RISK MANAGEMENT

The Company considers its capital structure to consist of share capital and deficit.

The Company's objective when managing capital is to maintain adequate levels of funding to support its exploration activities and to maintain corporate and administrative functions necessary to support operational activities.

The Company manages its capital structure in a manner that provides sufficient funding for operational activities. Funds are primarily secured through equity capital raised by way of private placements. There can be no assurances that the Company will be able to continue raising equity capital in this manner.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments, such as cash and other short-term guaranteed deposits, and all are held in a major Canadian financial Institution.

There has been no change in management's capital policy during the period.

The Company is not subject to any externally imposed capital requirements.

13. FINANCIAL INSTRUMENTS AND RISK FACTORS

The Company is exposed to credit risk, market risk (consisting of interest rate risk, and other price risk), and liquidity risk.

(a) Credit Risk

The financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents. The Company mitigates its exposure to credit loss by placing its cash with major financial institutions.

(b) Liquidity Risk

As at January 31, 2017, the Company had accounts payable and accrued liabilities of $1,375,245 (July 31, 2016 - $1,347,348) and cash and cash equivalents of $237,402 (July 31, 2016 – deficit of $14,327) to meet its current obligations.

(c) Fair Value

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

The carrying values of cash and cash equivalents, accounts payable and accrued liabilities, and due from related parties approximate fair values due to the relatively short term maturities of these instruments.

(d) Commodity Price Risk

The ability of the Company to develop its mineral properties and the future profitability of the Company is directly related to the market price of coal and base metals.