
MORGAN RESOURCES CORP.
CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2016 and 2015

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards. These consolidated financial statements contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee and Board of Directors reviews the results of the annual audit and the consolidated financial statements prior to submitting the consolidated financial statements to the Board for approval.

The Company's auditors, MNP LLP, are appointed by the shareholders to conduct an audit and their report follows.

"Raniero Corsini"

Raniero Corsini
Chief Executive Officer

"Chris Carmichael"

Chris Carmichael
Chief Financial Officer

Mississauga, Ontario
December 23, 2016

Independent Auditors' Report

To the Shareholders of Morgan Resources Corp.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Morgan Resources Corp., which comprise the statements of financial position as at August 31, 2016 and 2015, and the statements of loss and comprehensive loss, changes in deficiency in net assets and cash flows for the years ended August 31, 2016 and August 31, 2015, 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 consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Morgan Resources Corp. as at August 31, 2016 and 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 modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes a material uncertainty that raises significant doubt about the Company's ability to continue as a going concern.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
December 23, 2016

MORGAN RESOURCES CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	August 31 2016	August 31 2015
Assets		
Current assets		
Cash and cash equivalents	\$ 45,330	\$ 26,793
HST recoverable and other receivables	1,874	125,637
	\$ 47,204	\$ 152,430
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 191,209	\$ 244,437
	191,209	244,437
Deficiency in net assets		
Share capital (note 6)	3,024,769	3,024,769
Contributed surplus (note 6)	492,288	492,288
Deficit	(3,661,062)	(3,609,064)
	(144,005)	(92,007)
	\$ 47,204	\$ 152,430

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

Going Concern (Note 1)

Commitments and Contingencies (Note 10)

Approved by the Board of Directors

Signed: "Raniero Corsini"
Director

Signed: "Rick Rogers"
Director

MORGAN RESOURCES CORP.

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

For the years ended August 31	2016	2015
Expenses		
Professional fees	\$ 14,000	\$ 93
Consulting fees (note 9)	26,666	180,728
Travel and promotion	-	2,153
Rent	-	21,361
Office and general	11,332	29,490
Stock-based compensation (notes 6(b) and 9)	-	87,513
Net loss before other income and write-down of properties	51,998	321,338
Other income – premium paid on flow through shares	-	(25,130)
Other income – interest income	-	(1,386)
Write-down of properties (note 5)	-	1,180,021
Net loss and comprehensive loss for the year	51,998	1,474,843
Weighted average number of common shares outstanding – basic and diluted	37,426,936	36,366,662
Basic and fully diluted loss per share	\$ 0.00	\$ 0.04

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

MORGAN RESOURCES CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY IN NET ASSETS

	Shares	Share Capital	Contributed Surplus	Deficit	Total
Balance, August 31, 2014	35,326,936	\$ 2,798,239	\$ 382,305	\$ (2,134,221)	\$ 1,046,323
Shares issued for mineral property rights (note 6(a)(vi) and vii)	1,500,000	159,000			159,000
Shares issued on private placement (notes 6(a)(iii) and 9)	600,000	90,000			90,000
Warrants issued on private placement (notes 6(a)(iii) and 9)	-	(22,470)	22,470		-
Stock-based compensation (note 6(b))	-	-	87,513		87,513
Comprehensive loss for the year				(1,474,843)	(1,474,843)
Balance August 31, 2015	37,426,936	\$ 3,024,769	\$ 492,288	\$ (3,609,064)	\$ (92,007)
Comprehensive loss for the year	-	-	-	(51,998)	(51,998)
Balance August 31, 2016	37,426,936	\$ 3,024,769	\$ 492,288	\$ (3,661,062)	\$ (144,005)

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

MORGAN RESOURCES CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended August 31	2016	2015
Cash flow from operating activities		
Net loss for the year	\$ (51,998)	\$ (1,474,843)
Listing costs	-	-
Stock-based compensation	-	87,513
Write-down of properties	-	1,180,021
Premium paid on flow through shares	-	(25,130)
Changes in non-cash working capital:		
HST recoverable and other receivables	123,763	(35,954)
Accounts payable and accrued liabilities	(53,228)	89,486
	18,537	(178,907)
Cash flow from investing activities		
Mineral property expenditures	-	(388,095)
	-	(388,095)
Cash flow from financing activities		
Proceeds from private placement, net of issue costs	-	90,000
	-	90,000
Increase (decrease) in cash	18,537	(477,002)
Cash, beginning of year	26,793	503,795
Cash, end of year	\$ 45,330	\$ 26,793

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

MORGAN RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2016 and 2015

1. NATURE OF BUSINESS, GOING CONCERN

Nature of Business

Morgan Resources Corp. (the "Company" or "Morgan Resources") carries on business in one segment, being the acquisition, exploration and development of properties for mining of precious and base metals.

Morgan Resources is a publicly traded company incorporated and domiciled in Canada. The Company's registered office is as follows: 201-55 York Street, Toronto, Ontario M5J 1R7. The Company's common shares are listed on the TSX Venture Exchange ("TSXV") under the symbol MOR.

The consolidated financial statements were approved by the Board of Directors on December 22, 2016.

Going Concern

These consolidated financial statements have been prepared on a going concern basis, which presumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations in the foreseeable future.

In order to meet future expenditures and cover administrative costs, the Company will need to raise additional financing. Although the Company has been successful in raising funds in the past, there can be no assurance that adequate funding will be available in the future, or available under terms favorable to the Company. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is in default on all of its option agreement payments and, as such, there is significant doubt regarding the Company's ability to continue as a going concern and ultimately the appropriateness of the use of accounting principles applicable to a going concern.

Management believes that it can raise sufficient funds to pay its ongoing administrative expenses and to meet its liabilities for the ensuing twelve months as they fall due. The Company's ability to reinstate and fund its mining interest expenditures is dependent on management's ability to secure additional financing beyond that required to meet its ongoing administrative expenses.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing.

MORGAN RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of presentation and consolidation

These consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Bathurst Resources Corp. ("Bathurst").

Financial instruments

Financial assets

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments - continued

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

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

Financial liabilities

The Company's accounting policy for each category of financial liability is as follows:

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

Other financial liabilities - This category includes accounts payables and accrued liabilities which are recognized at amortized cost.

Morgan Resources' financial instruments include cash, other receivables, and accounts payable and accrued liabilities. Cash is classified as fair value through profit or loss, other receivables is classified as loans and receivables, and accounts payable and accrued liabilities are classified as other financial liabilities. The carrying value of these instruments approximates their fair values due to their short-term nature.

Mineral properties and deferred exploration costs

Mineral property acquisition costs and related direct exploration and development expenditures, net of recoveries, are deferred until the properties are placed into production. These net costs will be amortized against income using the unit-of-production method based on estimated recoverable reserves if the properties are brought into commercial production, or written off if the properties are abandoned or sold. The cost of mineral properties includes any cash consideration paid and the fair market value of shares issued, if any, on the acquisition of property interests. The recorded amounts of property acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

The recoverability of amounts shown for mineral properties and deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future profitable production or proceeds from the disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Mineral properties and deferred exploration costs - continued

At the end of each reporting period the carrying amounts of Morgan Resources' mineral properties are reviewed to determine whether there is an indication that those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

The recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in the consolidated statement of loss immediately.

Income taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in the consolidated statement of loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, and the Company intends to settle tax liabilities and assets on a net basis or to realize the tax assets and liabilities simultaneously.

Deferred tax assets are recognized to the extent it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Flow-through shares

The Company finances a portion of its exploration activities through the issuance of flow-through shares. On the date of issuance of the flow-through shares, the premium (the proceeds received for the flow-through shares in excess of the closing market price of the Company's common shares) is allocated to liabilities.

Under the terms of the flow-through common shares, the tax attributes of the related expenditures are renounced to investors. The premium liability is reduced pro-rata based on the percentage of flow-through expenditures renounced and spent in comparison to renunciations required under the terms of the flow-through share agreement. The reduction to the premium liability in the period of renunciation is recognized in the consolidated statement of loss as other income.

Upon renunciation of the related expenditures, the Company would normally recognize a deferred tax liability and expense with respect to the tax value of the costs renounced. Where the Company has unrecognized tax benefits from loss carry forwards and tax pools available for deduction, the Company will recognize these assets to offset the deferred tax liabilities resulting in an offsetting recovery of deferred income taxes being recognized in the consolidated statement of loss in the reporting period.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions at August 31, 2016 and 2015.

Share-based payment transactions

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Restoration, rehabilitation and environmental obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site restoration work, discounted to their net present value, are provided for and capitalized to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pretax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through depreciation using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate and amount or timing of the underlying cash flows needed to settle the obligation.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

MORGAN RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loss per share

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

Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and underlying assumptions are reviewed on an ongoing basis. The following is the key estimate and assumption uncertainty that has a significant risk of resulting in a material adjustment within the next financial year:

- (i) Mineral properties under exploration

As at August 31, 2015 management determined that there had been a full impairment of the mineral properties (see note 5).

Future Accounting Pronouncements

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

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB in its final version in July 2014, and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company anticipates that this standard will be adopted in the Company's financial statements for the period beginning September 1, 2018, and has not yet considered the potential impact of the adoption of IFRS 9.

MORGAN RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2016 and 2015

3. CAPITAL DISCLOSURES

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

4. FINANCIAL RISK FACTORS

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

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment/contractual obligations. The Company has deposited its cash with reputable Canadian financial institutions, from which management believes the risk of loss is minimal. The Company's HST and other receivables relates primarily to HST receivable, from which management believes the risk of loss is also minimal.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it has sufficient liquidity to meet liabilities when due. As at August 31, 2016, the Company has current assets of \$47,204 (2015 – \$152,430) to settle current financial liabilities of \$191,209 (2015 – \$244,437) (see note 1).

Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices.

Interest Rate Risk

The Company's current policy is to invest excess cash in investment-grade short term deposit certificates issued by its banking institutions. The Company monitors the investments it makes and is satisfied with the credit ratings of its banks. The risk the Company will realize a loss as a result of a decline in the fair value of short-term deposits is limited due to the short-term nature of these investments.

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 precious metals.

MORGAN RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2016 and 2015

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

The following is a summary of the Company's historical exploration activity. As at August 31, 2016, the Company has forfeited all of the option interests in the exploration properties described below.

	August 31, 2016	August 31, 2015	Cumulative since Inception on April 5, 2013
Balance, beginning of year	\$ -	\$ 632,926	\$ -
Expenditures during the period:			
Acquisition costs	-	265,000	476,490
Claims payments	-	7,620	39,910
Consulting	-	79,956	186,407
Drilling	-	120,515	120,515
Laboratory analysis	-	1,427	42,149
Geophysical survey	-	52,840	135,949
Reports	-	38,292	61,021
Transportation and accommodation	-	2,348	12,402
Airborne survey	-	-	108,252
Storage	-	4,097	21,926
Government grant	-	(25,000)	(25,000)
Total expenditures during the year	-	547,095	1,180,021
Write-down of properties	-	(1,180,021)	(1,180,021)
Total mineral properties and deferred exploration costs	\$ -	\$ -	\$ -

(a) Chamberlain and L'Or Bai Property

On April 7, 2013, the Company purchased options to earn a one hundred percent (100%) interest in certain mining claims in Bathurst, New Brunswick (the "Chamberlain/L'Or Bai Property"). Due to current market conditions, the Company decided it was unable to make ongoing maintenance payments on the properties, resulting in the Company being in default of the option agreement. In 2015, the Company wrote down the value of the property which included \$151,790 in acquisition costs and \$499,534 in exploration expenditures.

(b) L'Or Bai – 2 Property

On April 29, 2013, the Company purchased an option to earn a one hundred percent (100%) interest in certain mining claims in Bathurst, New Brunswick (the "L'Or Bai - 2 Property"). Due to current market conditions, the Company decided not to make the \$25,000 option payment due on April 29, 2015, resulting in the Company being in default of the option agreement. In 2015, the Company wrote down the value of the property which included \$25,000 in acquisition costs and \$13,000 in exploration expenditures.

(c) South Chamberlain Property

On April 14, 2014, the Company purchased an option to earn a one hundred percent (100%) interest in certain mining claims in Bathurst, New Brunswick (the "South Chamberlain Property"). Due to current market conditions, the Company decided not to make the \$40,000 option payment due on April 10, 2015, resulting in the Company being in default of the option agreement. In 2015, the Company wrote down the value of the property which included \$155,000 in acquisition costs and \$17,534 in exploration expenditures.

MORGAN RESOURCES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (CONTINUED)

(d) Lucky Irish Property

On October 7, 2014, the Company purchased an option to earn a fifty-one percent (51%) interest in the Lucky Irish base and precious metals property located 35 kilometers southwest of Kirkland Lake, Ontario (the "Lucky Irish Property"). Due to current market conditions, the Company decided not to make the \$50,000 option payment due on April 16, 2015, resulting in the Company being in default of the option agreement. In 2015, the Company wrote down the value of the property which included \$139,000 in acquisition costs and \$179,163 in exploration expenditures.

6. SHARE CAPITAL

(a) Capital

Authorized: unlimited common shares

Issued:

- (i) On October 16, 2014, the Company issued 300,000 common shares, valued at \$39,000, to the optionors of the Lucky Irish property.
- (ii) On February 23, 2015, the Company issued 1,200,000 common shares, valued at \$120,000, to the optionors of the Chamberlain property and of L'or Bai – 1 property.
- (iii) On May 28, 2015, the Company issued 600,000 units at \$0.15 per Unit with each Unit consisting of one common share and one common share purchase warrant exercisable at \$0.25 for a period of two years. A value of \$22,470 was attributed to the warrants (see note 6(c)).

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6. SHARE CAPITAL (CONTINUED)

(b) Stock option plan

The Company has a stock option plan (the "Plan") under which the directors of the Company may grant options to qualified directors, officers and consultants of the Company. The exercise price of the options cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years. The maximum aggregate number of common shares under option at any time under the Plan cannot exceed 10% of the issued and outstanding shares.

A summary of the Company's stock option activity for the years ended August 31, 2016 and August 31, 2015 is as follows:

	Number Of Options	Weighted- Average Exercise Price
Outstanding, August 31, 2014 and 2015	3,500,000	\$ 0.145
Expired ⁽ⁱ⁾	(1,550,000)	0.150
Outstanding, August 31, 2016	1,950,000	\$ 0.140

(i) On April 22, 2016, 1,550,000 options with an exercise price of \$0.15 expired.

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at August 31, 2016 are as follows:

Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted-Average Exercise Price	Average Remaining Contractual Life (years)	Number Exercisable	Weighted-Average Exercise Price
\$0.10	350,000	\$0.10	6.41	350,000	\$0.10
\$0.15	1,600,000	\$0.15	3.92	1,600,000	\$0.15
Total	1,950,000	\$0.14	3.37	1,950,000	\$0.14

During the year ended August 31, 2016, \$Nil (2015 - \$87,513) was recorded as stock-based compensation expense for the stock options vested.

The fair value of the options issued in 2015 was determined using the Black-Scholes model based on the following assumptions:

	2015
Risk free interest rate	1.09%
Dividend yield	Nil
Expected stock volatility	100%
Weighted-average expected life (years)	5.0

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6. SHARE CAPITAL (CONTINUED)

(c) Warrants

Details of warrants outstanding are as follows:

	Number of Warrants	Fair Value	Exercise Price/ Warrant	Expiry Date
Balance, August 31, 2014	7,048,920	243,900	0.30	
Issued (note 6(a)(iii))	600,000	22,470	0.25	May 27, 2017
Balance, August 31, 2015	7,648,920	\$ 266,370		
Expired (i)	7,048,920	(243,900)	0.30	
Balance, August 31, 2016	600,000	\$ 22,470		

(i) On December 31, 2015, 7,048,920 common share purchase warrants with an exercise price of \$0.30 expired.

The fair value of the warrants issued in 2015 was determined using the Black-Scholes model based on the following assumptions:

	2015
Risk free interest rate	0.63%
Dividend yield	Nil
Expected stock volatility	150%
Weighted-average expected life (years)	2.0

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August 31, 2016 and 2015

7. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended August 31, 2016 was based on the loss attributable to common shareholders of \$51,998 (2015 - \$1,474,843) and the weighted average number of common shares outstanding of 37,426,936 (2015 – 36,366,662). Diluted loss per share did not include the effect of 1,950,000 stock options (2015 – 3,500,000) and 600,000 warrants (2015 – 7,648,920) as they are anti-dilutive.

8. INCOME TAX INFORMATION

Deferred taxes have not been recognized in respect of the deductible temporary differences set out below:

	2016	2015
Non-capital losses carried forward	\$ 666,364	\$ 585,740
Investments	376,050	376,050
Mineral Properties	333,490	333,490
Tax credits	7,150	7,150
Share issue costs	32,827	61,453

The non-capital losses carried forward will expire between 2033 and 2036.
The mineral property and investments may be carried forward indefinitely.
The share issue costs will be deducted for tax purposes over the next three years.

9. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration expense of directors and other members of key management personnel, or companies under their control, during the year was as follows:

	2016	2015
Salaries, consulting and benefits	\$ 26,666	\$ 164,728
Stock-based compensation	-	87,513
	\$ 26,666	\$ 252,241

In 2015, a former director subscribed for 600,000 units as described in note 6(a)(iii).

10. COMMITMENTS AND CONTINGENCIES

The Company's mineral and exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.