



**Phoenix Gold Resources Corp.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**PHOENIX GOLD RESOURCES CORP.**

**(An exploration stage company)**

**(Formerly Zuri Capital Corp.)**

**For the years ended January 31, 2017 and 2016**

**(Expressed in Canadian dollars)**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
**Phoenix Gold Resources Corp.**

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Phoenix Gold Resources Corp.** and its subsidiaries, which comprise the consolidated statements of financial position as at January 31, 2017, and January 31, 2016, and the consolidated statements of loss and comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated 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 consolidated 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 audit to obtain reasonable assurance 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 consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparations and fair presentation of the consolidated 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 consolidated 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 **Phoenix Gold Resources Corp.** and its subsidiary as at January 31, 2017 and January 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements which indicates a history of continual losses from operations and that as of January 31, 2017 **Phoenix Gold Resources Corp.**'s current liabilities exceed current assets by \$1,006,713. These conditions, along with other matters as set forth in note 2, indicate the existence of a material uncertainty that may cast significant doubt about **Phoenix Gold Resources Corp.**'s ability to continue as a going concern.

*SF Partnership, LLP*

Toronto, Canada  
May 30, 2017

LICENSED PUBLIC ACCOUNTANTS

**Phoenix Gold Resources Corp.**  
**(An exploration stage company)**  
**(Formerly Zuri Capital Corp.)**  
**Consolidated Statements of Financial Position**  
**(Expressed in Canadian dollars)**

	January 31, 2017	January 31, 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 19	\$ 63
Other receivables	35,088	21,532
Prepaid expense	170	170
	<u>35,277</u>	<u>21,765</u>
<b>Mineral Rights</b> (note 4)	400,000	400,000
<b>Total Assets</b>	<u>\$ 435,277</u>	<u>\$ 421,765</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 958,625	\$ 1,526,248
Promissory note payable (note 5)	-	4,285
Advances from related company (note 6)	83,365	373,351
<b>Total Liabilities</b>	<u>\$ 1,041,990</u>	<u>\$ 1,903,884</u>
<b>SHAREHOLDERS' DEFICIENCY</b>		
<b>Share Capital</b> (note 7)	\$ 1,453,992	\$ 1,453,992
<b>Share-based Payment Reserve</b> (note 7)	276,807	276,807
<b>Warrants Reserve</b> (note 7)	450,358	450,358
<b>Deficit</b>	(2,787,870)	(3,663,276)
<b>Total Shareholders' Deficiency</b>	<u>(606,713)</u>	<u>(1,482,119)</u>
<b>Total Liabilities and Shareholders' Deficiency</b>	<u>\$ 435,277</u>	<u>\$ 421,765</u>

Commitments and Contractual Arrangements (note 8)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

"Paul Jones"  
 Director

"Andrew Lee"  
 Director

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

**Phoenix Gold Resources Corp.**  
**(An exploration stage company)**  
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**Consolidated Statements of (Income) Loss and Comprehensive (Income) Loss**  
**(Expressed in Canadian dollars)**

	Year ended January 31, 2017	Year ended January 31, 2016
<b>Revenue</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Expenses</b>		
Professional fees	25,254	24,687
Office and administration	10,092	28,406
Filing fees	10,660	9,826
Consulting fees	-	42,500
Investor relations	-	51,525
Foreign exchange (gain) loss	(104,412)	90,540
Management fees	(195,041)	228,404
<b>(Income) Loss before the undernoted</b>	<b>(253,447)</b>	<b>475,888</b>
<b>Other (Income) Loss</b>		
Loss on disposition of short-term investment	-	59,610
(Reversal) impairment of mineral rights (note 4)	(265,845)	761,576
Gain on loan forgiveness	(356,114)	-
<b>Net (Income) Loss and Comprehensive (Income) Loss</b>	<b>\$ (875,406)</b>	<b>\$ 1,297,074</b>
 Weighted Average Number of Shares Outstanding (Note 7)	 35,272,900	 35,272,900
 Earnings (Loss) per Share - Basic and Diluted	 \$ 0.02	 \$ (0.04)

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**Phoenix Gold Resources Corp.**  
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**Consolidated Statements of Changes in Shareholders' Deficiency**  
**(Expressed in Canadian dollars)**

	Number of Shares	Common Shares	Share-based Payment Reserve	Warrants Reserve	Deficit	Shareholders' Equity (Deficiency)
<b>Balance – January 31, 2015</b>	<b>35,272,900</b>	<b>\$ 1,414,719</b>	<b>\$ 275,382</b>	<b>\$ 489,631</b>	<b>\$ (2,366,202)</b>	<b>\$ (186,470)</b>
Brokers' warrants expiry	-	39,273	-	(39,273)	-	-
Stock options vested – issued for services	-	-	1,425	-	-	1,425
Loss for the period	-	-	-	-	(1,297,074)	(1,297,074)
<b>Balance – January 31, 2016</b>	<b>35,272,900</b>	<b>\$ 1,453,992</b>	<b>\$ 276,807</b>	<b>\$ 450,358</b>	<b>\$ (3,663,276)</b>	<b>\$ (1,482,119)</b>
Income for the period	-	-	-	-	875,406	875,406
<b>Balance – January 31, 2017</b>	<b>35,272,900</b>	<b>\$ 1,453,992</b>	<b>\$ 276,807</b>	<b>\$ 450,358</b>	<b>\$ (2,787,870)</b>	<b>\$ (606,713)</b>

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

**Phoenix Gold Resources Corp.**  
**(An exploration stage company)**  
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**Consolidated Statements of Cash Flows**  
**(Expressed in Canadian dollars)**

	Year ended January 31, 2017	Year ended January 31, 2016
<b>Cash provided by (used in):</b>		
<b>Operating Activities:</b>		
Net income (loss) for the period	\$ 875,406	\$ (1,297,074)
Adjustments for non-cash items:		
Gain on loan forgiveness	(356,114)	-
(Reversal) Impairment of mineral rights	(265,845)	761,576
Loss on disposition of short-term investment	-	59,610
Stock options vested – issued for services	-	1,425
Foreign exchange gain	(21,522)	-
Changes in non-cash working capital items:		
Other receivables	(13,556)	35,419
Prepaid expense	-	31,719
Accounts payable and accrued liabilities	(301,778)	482,712
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(83,409)</b>	<b>75,387</b>
<b>Investing Activities:</b>		
Additions in mineral rights	-	(196,330)
Proceeds from disposition of short-term investment	-	74,518
<b>Net Cash Used in Investing Activities</b>	<b>-</b>	<b>(121,812)</b>
<b>Financing Activities:</b>		
Advances from related companies	83,365	45,864
<b>Net Cash Provided by Financing Activities</b>	<b>83,365</b>	<b>45,864</b>
Net decrease in cash	(44)	(561)
Cash - beginning of period	63	624
Cash - end of period	\$ 19	\$ 63

Supplemental disclosure with respect to cash flows (Note 10)

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

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**Phoenix Gold Resources Corp.  
(An exploration stage company)  
(Formerly Zuri Capital Corp.)  
Notes to the Consolidated Financial Statements  
For the years ended January 31, 2017 and 2016  
(Expressed in Canadian dollars)**

**1. Nature and Continuance of Operations**

Phoenix Gold Resources Corp. (formerly Zuri Capital Corp. (“Zuri”)) was incorporated on May 2, 2011 under the laws of the province of British Columbia, Canada. Zuri commenced trading on the TSX Venture Exchange as a Capital Pool Company on March 19, 2012. On April 23, 2014, Zuri was acquired by Phoenix Gold Resources Ltd. (“Phoenix”) in a reverse takeover transaction and as a result Zuri carries on the business of Phoenix and continues pursuant to the laws of British Columbia. Hereafter Phoenix and the combined business of Phoenix and Zuri after the date of the RTO are referred to as the “Company” or “PXA”. These consolidated financial statements reflect the financial position, operating results and cash flows of the Company’s legal subsidiary, Phoenix. Effective April 23, 2014, Zuri changed its name to Phoenix Gold Resources Corp. and resumed trading on April 25, 2014 on the TSX Venture Exchange with the trading symbol “PXA”. The Company’s registered address is Suite 700 – 595 Burrard Street, Vancouver, British Columbia, Canada, V7X 1S8.

The Company is a TSX Venture Exchange (“Exchange”) tier 2 listed mineral exploration and development company with its principal business focusing on the acquisition and exploration of the gold mineral rights located in Nevada, USA.

**2. Going Concern**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company’s long term continuance is dependent on obtaining sufficient external financing (predominantly through the issuance of equity to the public). To date, the Company has not generated any revenue from operations and is considered to be in the exploration stage. As at January 31, 2017, the Company has an accumulated deficit of \$2,787,870 (January 31, 2016 – \$3,663,276), and has incurred a net (income) loss of \$(875,406) (January 31, 2016 – \$1,297,074) for the year then ended and negative working capital of \$1,006,713 (January 31, 2016 – negative working capital of \$1,882,119).

These consolidated financial statements do not reflect adjustments to the carrying value of assets, liabilities, the reported expenses and financial position classifications used that might be necessary if the going concern assumption were not appropriate.

**Phoenix Gold Resources Corp.**  
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**Notes to the Consolidated Financial Statements**  
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**3. Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

**a) Statement of compliance with IFRS**

These consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of May 30, 2017 the date the Board of Directors approved the consolidated financial statements for issue.

**b) Basis of presentation**

These consolidated financial statements have been prepared on a historical cost convention using the accrual basis of accounting except for cash flow information.

Presentation of the consolidated statement of financial position differentiates between current and non-current assets and liabilities. The consolidated statement of (income) loss and comprehensive (income) loss is prepared using the functional classification.

These consolidated financial statements include the accounts of Phoenix Gold Resources Corp. and its wholly-owned subsidiaries, Phoenix and Phoenix USA. All intercompany transactions, balances, and unrealized gains and losses on intercompany transactions have been eliminated. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Where control of an entity is obtained during a financial period, its results are included in the consolidated statement of loss and comprehensive loss from the date on which control commences. Where control of an entity ceases during a financial period, its results are included for that part of the period during which control existed.

**c) Functional currency translation**

*i) Functional and presentation currency*

Items included in the financial statements of each consolidated entity in the group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the reporting parent's and Phoenix's functional currency. The functional currency of the reporting parent's subsidiary, Phoenix USA, is the United States dollar ("USD").



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**3. Significant Accounting Policies (cont'd)**

**c) Functional currency translation (cont'd)**

The financial statements of entities that have a functional currency different from that of the reporting parent's operations are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the consolidated statement of financial position, and income and expenses – at the average rate for the period (as this is considered a reasonable approximation to the actual rates). All resulting changes are recognized in other comprehensive income or loss as cumulative translation adjustments.

When an entity disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income or loss related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

*ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Generally, foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the consolidated statement of (income) loss and comprehensive (income) loss.

**d) Measurement Uncertainty**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies to financial information presented. Actual results may differ from the estimates, assumptions and judgements made. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes made to estimates are reflected in the period the changes are made.

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**3. Significant Accounting Policies (cont'd)**

**d) Measurement Uncertainty (cont'd)**

Significant areas requiring the use of estimates and assumptions include accounts payable and accrued liabilities, valuation of share-based payment reserves, warrant reserves, valuation of short-term investments, valuation of mineral rights, and recoverability of deferred tax assets. By their nature, these estimates and assumptions are subject to measurement uncertainty, and the impact of changes in estimates in the financial statements of a future period could be material. These assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings (loss) in the periods in which they become known.

**e) Significant accounting judgements**

The critical judgements that the Company's management has made in the process of applying the Company's accounting policies, apart from those involving estimations (note 3(d)), that have the most significant effect on the amounts recognized in the Company's consolidated financial statements are related to the economic recoverability of the mineral rights, determining the smallest group of assets that generates independent cash flow, the interpretation and application of tax laws, the determination of functional currency for the Company and its subsidiaries, and the assumption that the Company will continue as a going concern.

**f) Financial instruments**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

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**3. Significant Accounting Policies (Cont'd)**

**f) Financial instruments (Cont'd)**

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

*i) Financial assets and liabilities at fair value through profit or loss*

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges. The Company's short-term investment and cash are designated in this category.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of income (loss). Gains and losses arising from changes in fair value are presented in the statement of income (loss) within other gains and losses in the period in which they arise.

*ii) Available-for-sale investment*

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company at this time does not have any financial instruments in this category.

Available-for-sale investments are recognized initially at fair value and subsequently at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income (loss). Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of loss as part of interest income. Dividends on available-for-sale equity instruments are recognized in the statement of loss as part of other gains and losses when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income (loss) to the statement of loss and included in other gains and losses.

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**3. Significant Accounting Policies (Cont'd)**

**f) Financial instruments (Cont'd)**

*iii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables are comprised of other receivables, and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method less a provision for impairment, if any.

*iv) Held to maturity investments*

Held to maturity investments are non-derivative financial assets with no fixed or determinable payments and fixed maturities that the Company's management has the intention and ability to hold to maturity. These assets are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. The Company at this time does not have any financial instruments in this category.

*v) Other financial liabilities*

Other financial liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

The Company has classified its accounts payable and accrued liabilities, and promissory note payable as other financial liabilities. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise they are presented as non-current liabilities.

**g) Impairment of financial assets**

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

The loss is the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. An impairment loss on an available for sale financial asset or fair value through profit or loss financial asset is calculated by reference to its fair value. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account. The amount of the (recovery) impairment is recognized in net (income) loss.

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**3. Significant Accounting Policies (Cont'd)**

**h) Impairment of financial assets (Cont'd)**

Impairment losses on financial assets carried at amortized cost may be reversed in subsequent periods if the amount of the loss decreases and the decreases can be related objectively to an event occurring after the impairment was recognized. Financial assets measured at amortized cost and available for sale financial assets that are debt securities are reversed through profit and loss. For available for sale financial assets that are equity securities, the reversal is recognized in other comprehensive income.

**h) Revenue recognition**

Revenue will be recorded when consideration is received or receivable and will be recognized to the extent that it is probable that the economic benefits will flow to the Company and when the revenue can be reliably measured.

Interest income will be recognized as it accrues.

**i) Comprehensive income or loss**

Comprehensive income or loss is the change in equity of an enterprise during a period from transactions, events and circumstances other than those under the control of management and the owners. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company reports comprehensive (income) loss in its statement of (income) loss and comprehensive (income) loss and its statement of changes in deficiency.

**j) Taxes**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit and loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

*Current tax*

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

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**3. Significant Accounting Policies (Cont'd)**

**j) Taxes (Cont'd)**

*Deferred tax*

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recognized on the initial recognition of goodwill, on 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 at the time of the transaction, and on temporary differences relating to investments in subsidiaries and jointly controlled entities where the reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured, without discounting, at the tax rates that are expected to apply when the assets are recovered and the liabilities settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to set off current tax assets against current tax liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

**k) Non-monetary transactions**

Transactions with no cash consideration are measured at the fair value of either the asset given up or the asset received, whichever is more reliably determinable.

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**3. Significant Accounting Policies (Cont'd)**

**l) Earnings (loss) per share**

Basic earnings (loss) per share is calculated by dividing the net earning (loss) available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculations as the effect would be anti-dilutive.

**m) Identifiable intangible assets**

The Company is in the exploration stage and defers all expenditures related to its acquired mineral rights until such time as the property is put into commercial production, sold or abandoned. Under this method, the amounts reported represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

*i) Pre-Exploration*

Pre-exploration costs in areas where a legal right to explore has not been obtained are expensed as incurred.

*ii) Exploration and evaluation expenditures*

Exploration and evaluation ('E&E') costs incurred after the legal right to explore is obtained, but before technical feasibility and commercial viability of the project has been demonstrated are capitalized as E&E assets. These include the costs of acquiring the licenses and directly attributable general and administrative costs. All applicable costs are capitalized as either tangible or intangible E&E assets depending on the nature of the assets acquired. The costs are accumulated in cost centers by exploration area.

*iii) Development and production costs*

When technical feasibility and commercial viability of a property is established and the Company determines that it will proceed with development, all E&E costs attributable to that area are reclassified to construction in progress within property, plant and equipment or as intangible assets depending on the nature of the expenditure. If economically recoverable ore deposits are developed, the capitalized costs of the related property will be amortized using the unit-of-production method following the commencement of production.

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**3. Significant Accounting Policies (Cont'd)**

**n) Impairment of non-financial assets**

Non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

A CGU 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 to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately in profit or loss. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized.

Industry specific indicators for an impairment review on mineral rights and capitalized exploration related expenditures arise typically when one of the following circumstances applies:

- Substantive expenditure on further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised;
- Adverse changes in variations in commodity prices and markets; and
- Variations in the exchange rate for the currency of operation.



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**3. Significant Accounting Policies (Cont'd)**

**o) Restoration, rehabilitation and environmental obligations**

An obligation to incur restoration, rehabilitation and environmental costs arises when an environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant, other site preparation work, and water and soil management, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operation license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value of the liability. These costs are charged against profit or loss over the economic life of the related assets, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company may in the future be affected from time to time in varying degrees by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation or environmental obligations as at January 31, 2017.

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**3. Significant Accounting Policies (Cont'd)**

**p) Share-based payments**

The Company from time to time may issue shares or options to its directors, officers, consultants and employees. The Company values share-based payments using the fair-value method of the services provided. For stock options issued to its directors, officers, consultants and employees where the value of the services provided cannot be determined or the options are provided for services already provided to the Company, the Company values stock-based compensation by reference to the fair value of the stock options issued, utilizing the Black-Scholes option pricing model. The estimated fair value is recognized over the applicable vesting period as stock-based compensation expense and an increase to share-based payment reserve.

Any consideration paid by employees on the exercise of stock options or purchase of stock is credited to share capital plus the amounts originally recorded as share-based payment reserve. An individual is classified as an employee when they are an employee for legal purposes, or primarily performing services similar to the services that would be provided by a legal employee.

**q) Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of authorization of these consolidated financial statements are disclosed below. Management anticipates that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

*IFRS 15 – Revenue from Contracts with Customers:* The IASB issued IFRS 15 in May 2014. The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively with early adoption permitted. Management is currently evaluating the impact the final standard is expected to have on the Company's consolidated financial statements. This is not expected to be significant as the Company is currently not generating operating revenues.

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**3. Significant Accounting Policies (Cont'd)**

**q) Standards issued but not yet effective**

*IFRS 9 – Financial Instruments:* The IASB published the final version of IFRS 9 in July 2014. The final standard brings together the classification, measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes a loss impairment model, amends the classification and measurement model for financial assets and provides additional guidance on how to apply the business model and contractual characteristics test. This final version of IFRS 9 supersedes all previous versions of IFRS 9 and is effective for annual periods commencing on or after January 1, 2018, with early adoption permitted. Management is currently evaluating the impact the final standard is expected to have on the Company's consolidated financial statements.

*IFRS 16 – Leases:* On January 13, 2016, the IASB published a new standard, IFRS 16, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company is assessing the impact of adopting this standard on its consolidated financial statements.

**4. Mineral Rights**

On July 9, 2013, Phoenix issued 500,000 common shares to Americas Gold Exploration Inc. ("AGEI"), at \$0.10 per share in order to acquire a 50% right, title and interest to the Plumas Property and 100,000 common shares to William Matlack ("Matlack") at \$0.10 per share as consideration for a 20-year renewable lease entered into for the remaining 50% right, title and interest to the Plumas Property. Matlack has the option to convert the lease payments into a 1% net smelter return royalty on the property and the Company has the right to buy back this option by paying Matlack \$1,408,000 (US\$1,000,000).

The Plumas Property consists of two patented lode mining claims with extra lateral rights (40 acres) and one patented mill site claim (8.5 acres) situated in Battle Mountain, Lander County, Nevada, USA.

Phoenix acquired a 50% right, title and interest to the Eldorado Property for a total payment of \$115,080 (US \$105,000) and in consideration of Phoenix assuming all of the obligations of AGEI.

The Eldorado Property consists of one patented lode mining claim (20 acres) named Eldorado situated in Battle Mountain, Lander County, Nevada, USA.

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**4. Mineral Rights (Cont'd)**

On January 31, 2016, the Company's management determined that the mineral rights are impaired and recognized an impairment loss of \$761,576.

On January 31, 2017, \$265,845 was reversed to impairment of mineral as a result of the settlement and mutual release agreement described in note 15(c).

The cumulative costs incurred on the Company's mineral rights are as follows:

	January 31, 2017	January 31, 2016
	\$	\$
Opening balance	400,000	965,246
Incurred during the year	-	196,330
Settlement of liabilities	(265,845)	-
Impairment charges recognized during the year	-	(761,576)
Reversal of impairment	265,845	-
<b>Closing balance</b>	<b>400,000</b>	<b>400,000</b>

**5. Promissory Note Payable**

As of January 31, 2017, the Company had a promissory note payable of \$nil (2016 - \$4,285) to an officer and director of the Company. The promissory note bore interest at a rate of 10% per annum, payable monthly in arrears on the last day of each and every month, with due on demand status. The balance of \$4,285 was written-off and recognized as gain on loan forgiveness as a result of the mutual release agreement described in note 15(e).

**6. Advances from Related Companies**

As of January 31, 2017, the Company had advances from related company, which is owned and controlled by a director of the Company, in the amount of \$83,365. The advances are non-interest bearing, unsecured, and have no fixed term of repayment.

As of January 31, 2017, the Company had advances from a related company, which is owned and controlled by an officer and director of the Company, in the amount of \$351,828 (January 31, 2016 - \$373,351). The advances were non-interest bearing, unsecured, and had no fixed term of repayment. These advances were written-off and recognized as gain on loan forgiveness as a result of the mutual release agreement described in note 15(e).

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**7. Share Capital**

a) *Authorized*

Unlimited number of common shares.

IFRS 2 recommends that an entity shall measure any equity-settled share-based payment transactions directly at the fair value of the goods or services received. The Company issued warrants and options as part of the private placements and compensation payments to agents and brokers. The Company determined that the fair value of services received is not reliably measurable because the warrants attached to these transactions are not from the result of any services purchased by the Company. Also, fair value of services from agents and brokers are not reliably determinable because there is no similar open market for the services they provide, and the compensation is not based on a fixed market rate, but rather subject to negotiation by management. Lastly, it is common for exploration stage companies to provide share-based compensation as part of its equity and debt transactions in addition to a cash component. As such management determined that the fair value of warrants rather than the fair value of services received should be used to determine the fair value of share-based transactions.

b) *Issued and outstanding*

Issued common shares are as follows:

	Number of shares	Amount
<b>Balance – January 31, 2015</b>	<b>35,272,900</b>	<b>\$ 1,414,719</b>
Brokers' warrants expiry d) (i)	-	32,076
Brokers' warrants expiry d) (ii)	-	3,597
Brokers' warrants expiry d) (iii)	-	3,600
<b>Balance – January 31, 2016 and January 31, 2017</b>	<b>35,272,900</b>	<b>\$ 1,453,992</b>

c) *Stock options and share-based payment*

As at January 31, 2017, the Company had 3,162,500 (2016 – 3,162,500) stock options outstanding. The following table summarizes information about stock options outstanding as at January 31, 2017:

	Number	Weighted average exercise price
<b>Balance – January 31, 2015</b>	<b>3,312,500</b>	<b>\$ 0.10</b>
Stock options forfeited on February 3, 2015 (i)	(300,000)	0.10
Vesting of stock options issued for services (ii)	150,000	0.10
<b>Balance – January 31, 2016 and January 31, 2017</b>	<b>3,162,500</b>	<b>\$ 0.10</b>

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**7. Share Capital (Cont'd)**

c) *Stock options and share-based payment (Cont'd)*

- (i) On February 3, 2015, 300,000 stock options originally granted on August 22, 2014 were forfeited due to the resignation of one of the Company's directors. These options had an original expiration date of August 22, 2019.
- (ii) On May 1, 2014, the Company granted 600,000 stock options to CHF Investor Relations ("CHF") exercisable for a period of five years from the date of grant at an exercise price of \$0.10 per share. These options vest evenly over the four quarters subsequent to the date on which they were granted. The assumptions utilized in determining the fair value of the 600,000 stock options was a share price of \$0.05, an exercise price of \$0.10, a risk free interest rate of 1.67%, volatility of 120%, expected yield of nil, and an expected life of 5 years. The estimated fair value of the 600,000 stock options issued was \$22,800, of which 150,000 stock options vested during the year and \$1,425 was recognized as investor relations expense. Upon termination of the services agreement, any vested options will be cancelled after 30 days.

d) *Warrant Reserve*

*The following is a summary of the changes in the Company's warrants during the periods:*

	<b>Exercise price</b>	<b>Number</b>	<b>Amount</b>
<b>Balance – January 31, 2015</b>		<b>10,861,620</b>	<b>\$ 489,631</b>
Broker's warrants expired on April 23, 2015 (i)	\$ 0.10	(1,055,120)	(32,076)
Broker's warrants expired on August 21, 2015 (ii)	\$ 0.10	(68,000)	(3,597)
Broker's warrants expired on August 28, 2015 (iii)	\$ 0.10	(94,000)	(3,600)
<b>Balance – January 31, 2016 and January 31, 2017</b>		<b>9,644,500</b>	<b>\$ 450,358</b>

- (i) 1,055,120 warrants originally issued on April 23, 2014 expired on April 23, 2015.
- (ii) 68,000 warrants originally issued on August 21, 2014 expired on August 21, 2015.
- (iii) 94,000 warrants originally issued on August 28, 2014 expired on August 28, 2015.

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**8. Commitments and Contractual Arrangements**

As at January 31, 2017, the Company had the following contractual arrangements and commitments in place for the provision of certain services:

- a) As part of the letter of agreement entered into with AGEI and Matlack on July 9, 2013 and as amended on October 29, 2013, December 16, 2013, January 21, 2014, and February 21, 2014 for the acquisition of certain patented mineral claims in Nevada, comprised of the Eldorado Property, the Plumas Property (collectively, the “Phoenix Gold Properties”), the Company has the following commitment:
- (i) As part of the lease of the Plumas Property describe in note 4, the Company is required to make annual payments of \$45,541 (US\$35,000) on each anniversary date of April 23, 2014 for a period of 20 years. Future minimum lease payments are as follows:

2017	\$ 45,541
2018	45,541
2019	45,541
2020	45,541
2021	45,541
Thereafter	<u>683,115</u>
Total	\$ 910,820

The Company is currently in default of the Plumas Lease for failure to pay the 2015, 2016, and 2017 payment amounts under the terms of the lease and if the Company remains in default, Matlack may terminate the lease resulting in a loss of a 50% leasehold interest in the Plumas Property. The Company currently does not have sufficient funds to allocate for lease payments under the Plumas Lease.

- b) On December 4, 2015, the Company entered into a letter agreement (the “Letter Agreement”) with Blue Creek Forest Products Ltd. (“Blue Creek”) and its major shareholder, Four Rivers Resources Inc. (“FRRRI”), which contemplates a transaction that will result in a reverse takeover and change of business of the Company by Blue Creek (the “Transaction”). The Transaction is subject to approval of the shareholders of the Company and approval of the Exchange. The closing of the Transaction is subject to number of conditions and must be completed by no later than June 30, 2016, at which time the Letter Agreement is then terminated. The Company had agreed to extend the deadline for closing to August 31, 2016 and further extend it to October 31, 2016 and December 31, 2016. On March 31, 2017, the Company announced that it agreed to further extend the deadline for closing to July 31, 2017 with an outside date of October 31, 2017 (see Note 15(a)).
- c) An accounts payable amount of \$178,427 (US \$137,125) is owing to a creditor, which is secured as against the Plumas Property by way of a lien and registered title to the property. (See also note 15(b)).

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**9. Capital Management**

As at January 31, 2017, the capital structure of the Company consists of equity attributable to common shareholders and includes share capital of \$1,453,992 (January 31, 2016 - \$1,453,992), share-based payment reserve of \$276,807 (January 31, 2016 - \$276,807), warrant reserve of \$450,358 (January 31, 2016 - \$450,358), and deficit of \$2,787,870 (January 31, 2016 - \$3,663,276).

The Company's objective when managing capital structure is to ensure sufficient financial resources exist to meet the Company's strategic exploration and business development objectives, and to ensure that the Company continues as a going concern.

**10. Supplemental Disclosure with Respect to Cash Flows**

The significant non-cash investing and financing transactions during the year ended January 31, 2017 included the reversal of impairment of mineral rights for the settlement of \$265,844 in accounts payable.

**11. Segmented Information**

The Company operates in one reportable segment. Segments are defined as components for which separate financial information is available and is regularly evaluated by the chief operating decision maker.

**12. Income Taxes and Deferred Income Tax**

In assessing the realization of the Company's deferred income tax assets, management considers whether it is probable that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

The amount of deferred income tax assets considered realizable could change materially in the near term based on future taxable income generated during the carry-forward period.

a) Deferred income tax assets and liabilities

No deferred tax asset has been recognized as the Company is reflecting uncertainties associated with realization of all deferred income tax assets.



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**12. Income Taxes and Deferred Income Tax (cont'd)**

The significant components of the Company's deferred tax assets are as follows:

	January 31, 2017	January 31, 2016
Non-capital losses carried forward	\$ 484,000	\$ 592,000
Financing fees deductible in future periods	89,000	139,000
Exploration and development expenses	129,000	198,000
Deferred tax assets not recognized	(702,000)	(929,000)
Deferred income tax assets	\$ -	\$ -

b) Losses

As at January 31, 2017, the Company can carry forward Canadian non-capital losses to reduce taxable income in future years of approximately \$1,853,000 expiring as follows:

Year 2031	\$ 8,000
Year 2032	\$ 31,000
Year 2033	\$ 68,000
Year 2035	\$ 719,000
Year 2036	\$ 664,000
Year 2037	\$ 363,000

As at January 31, 2017, the company can carry forward Canadian capital losses to reduce capital gain in future years of approximately \$20,000.

c) Income tax reconciliation

	January 31, 2017	January 31, 2016
Income tax (expense) recovery at statutory rate	\$ (228,000)	\$ 337,000
Expenses not deductible for tax purposes	-	(14,000)
Temporary differences	322,000	(151,000)
Tax losses for which no deferred tax asset was recognized	(94,000)	(172,000)
Deferred income tax assets	\$ -	\$ -

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**13. Related Party Transactions**

The Company considers its Board of Directors and certain consultants which, by virtue of the contracts in place and the functions performed, to be key management. Compensation awarded to key management is listed below:

	Year ended January 31, 2017	Year ended January 31, 2016
Management fees (recovered) expensed	\$ (195,041)	\$ 228,404
Management fees (reversed) capitalized	(256,875)	154,828
<b>Total</b>	<b>\$ (451,916)</b>	<b>\$ 383,232</b>

For the year ended January 31, 2017, the Company paid or accrued management fees of \$157,661 (January 31, 2016 - \$156,404) to Avonlea Ventures Inc., and \$72,000 (January 31, 2016- \$72,000) to 2238012 Ontario Inc., and \$nil (January 31, 2016 - \$154,828) to America's Gold Exploration Inc., companies controlled by officers and/or directors of the Company.

The management fees payable to Avonlea Ventures Inc. in the amount of \$424,702 was reversed as a result of the mutual release agreement described in note 15(e).

The management fees payable to America's Gold Exploration Inc. in the amount of \$256,875 was reversed as a result of the settlement and mutual release agreement described in note 15(c).

These transactions are in the normal course of operations and are recorded at the exchange amount agreed to by the related parties.

**14. Financial Instruments**

IFRS 7 establishes a fair value hierarchy that reflects significance of inputs in measuring fair value as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. process) or indirectly (i.e. derived from process); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial assets and liabilities at fair value through profit or loss, consisting of cash and short-term investment, are classified as level 1.

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**14. Financial Instruments (Cont'd)**

The Company examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks.

**Fair value**

As at January 31, 2017, the Company's financial instruments consist of other receivables, accounts payable and accrued liabilities. These financial instruments are classified as loans and receivables or other financial liabilities and are carried at amortized cost. The fair values of these financial instruments approximate their carrying values due to the short-term nature of these instruments.

**Liquidity risk**

Liquidity risk is the risk that the Company is unable to meet its financial obligations as they fall due. The Company takes steps to ensure that it has sufficient working capital and available sources of financing to meet future cash requirements for capital programs and operations.

The Company intends to issue equity to ensure the Company has sufficient access to cash to meet current and foreseeable financial requirements. The Company actively monitors its liquidity to ensure that its cash flows and working capital are adequate to support its financial obligations and the Company's capital programs.

**Credit risk**

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The Company has credit risk with its other receivable, but it is considered to be minimal. There is no allowance for doubtful accounts recorded as at January 31, 2017.

**Market risk**

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

*(i) Interest rate risk*

The Company is not exposed to the risk that the value of financial instruments will change due to movement in market interest rates.

*(ii) Currency risk*

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company has a portion of its cash, accounts payable and accrued liabilities, advances from related company in US Dollars and Australian Dollars.

For the year ended January 31, 2017, a 5% increase or decrease on an annualized basis in the value of a Canadian Dollar in relation to the US Dollar and Australian Dollar would have resulted in a \$14,446 and \$1,028 increase or decrease in foreign exchange gain or loss, for respective foreign currencies.

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**14. Financial Instruments (Cont'd)**

*(iii) Commodity price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to base metals, individual equity movements, and the stock market in general to determine the appropriate course of action to be taken by the Company.

**15. Subsequent Events**

- a) On March 31, 2017, the Company entered into an amending agreement with Blue Creek and FRRRI to extend the deadline for closing of the Transaction to July 31, 2017 with an outside deadline of October 31, 2017.
- b) On April 18, 2017, a company (the "Paying Company") owned and controlled by a director of the Company entered into a debt settlement agreement with one of the creditors of the Company. A total debt of \$178,427 (US \$137,125) was settled on behalf of the Company, which debt is now owed to that director's company. Pursuant to the settlement agreement, the Paying Company has taken over responsibility for repayment of the debt on behalf of the Company, and has provided security to the creditor including a promissory note from the Paying Company stipulating payment of the debt in six monthly instalments beginning on May 31, 2017. Upon full payment of the debt, the creditor will relinquish its lien and registered title of the Plumas Property as its security for the debt.
- c) On April 18, 2017, the Company entered into a settlement and mutual release agreement with an Officer of the Company and America's Gold Exploration Inc., a company owned and controlled by the Officer of the Company. As a result of this agreement, all of the Company's liabilities to America's Gold Exploration Inc. were settled and released.
- d) On April 23, 2017, 7,772,000 subscription warrants originally issued on April 23, 2014 expired unexercised.
- e) On May 1, 2017, the Company entered into a mutual release agreement with an Officer and Director of the Company and Avonlea Ventures Inc., a company owned and controlled by the Officer and Director of the Company. As a result of this agreement, all of the Company liabilities to Avonlea Ventures Inc., including promissory notes of \$4,285 and advances from related companies of \$351,828 and management fees payable of \$424,702 were settled and released.