

Rheingold Exploration Corp.

Financial Statements

(Expressed in Canadian Dollars)

31 January 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Rheingold Exploration Corp.

We have audited the accompanying financial statements of Rheingold Exploration Corp., which comprise the statement of financial position as at January 31, 2017, and the statements of loss and comprehensive loss, changes in cash flows and shareholders' equity (deficiency) for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Rheingold Exploration Corp. as at January 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Rheingold Exploration Corp.'s ability to continue as a going concern.

Other Matters

The financial statements of Rheingold Exploration Corp. for the year ended January 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on May 31, 2016.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

May 31, 2017

Rheingold Exploration Corp.

Statements of Financial Position

(Expressed in Canadian Dollars)

	As at 31 January 2017 \$	As at 31 January 2016 \$
Assets		
Current		
Cash	238,451	2,725
Amounts receivable (Notes 5)	13,830	5,531
Prepaid expenses	1,107	1,107
	<u>253,388</u>	<u>9,363</u>
Property, plant and equipment (Note 7)	<u>219</u>	<u>486</u>
	<u>253,607</u>	<u>9,849</u>
Liabilities		
Current		
Trade payables and accrued liabilities (Note 8)	<u>55,884</u>	<u>38,856</u>
Shareholders' Equity (Deficiency)		
Share capital (Note 9)	924,961	827,157
Reserves (Note 9)	388,558	153,617
Contributed surplus (Note 9)	3,160	3,160
Deficit	<u>(1,118,956)</u>	<u>(1,012,941)</u>
	<u>197,723</u>	<u>(29,007)</u>
	<u>253,607</u>	<u>9,849</u>

Nature and Continuance of Operations (Note 1) and **Subsequent Events** (Note 14)

Approved and Authorized by the Board on 31 May 2017:

"Paul Pedersen" Director

"Richard Robins" Director

Rheingold Exploration Corp.
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	For the year ended 31 January 2017 \$	For the year ended 31 January 2016 \$
Expenses		
Amortization (Note 7)	267	595
Bank charges and interest	1,333	323
Consulting fees	-	9,900
Filing fees	16,972	27,117
Investor relations	3,000	3,996
Management fees, salaries and benefits (Note 10)	31,400	37,654
Meals and entertainment	804	2,050
Office and miscellaneous	4,635	19,181
Professional fees	45,040	42,759
Rent	1,000	-
Travel	64	7,064
	<hr/>	<hr/>
Operating loss	(104,515)	(150,639)
Impairment of exploration and evaluation properties (Note 6)	(1,500)	(2,500)
	<hr/>	<hr/>
Loss and comprehensive loss for the year	(106,015)	(153,139)
	<hr/>	<hr/>
Loss and comprehensive loss per share, basic and diluted	(0.01)	(0.01)
	<hr/>	<hr/>
Weighted average number of common shares outstanding	13,883,783	12,773,520
	<hr/>	<hr/>

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

Rheingold Exploration Corp.

Statements of Cash Flows

(Expressed in Canadian Dollars)

	For the year ended 31 January 2017 \$	For the year ended 31 January 2016 \$
Cash flows used in operating activities		
Loss for the year	(106,015)	(153,139)
Non-cash transactions:		
Amortization	267	595
Impairment	1,500	2,500
Changes in operating assets and liabilities:		
Increase in amounts receivable	(3,206)	20,930
Decrease (increase) in prepaid expenses and advances	-	1,497
Increase in trade payables and accrued liabilities	68,528	(926)
Net cash used in operating activities	<u>(38,926)</u>	<u>(128,543)</u>
Cash flows from investing activities		
Exploration and evaluation assets	<u>(1,500)</u>	-
Net cash used in investing activities	<u>(1,500)</u>	-
Cash flows from financing activities		
Proceeds from issuance of common shares	<u>276,152</u>	<u>100,000</u>
Net cash provided from financing activities	<u>276,152</u>	<u>100,000</u>
Decrease in cash	<u>235,726</u>	<u>(28,543)</u>
Cash, beginning of year	<u>2,725</u>	<u>31,268</u>
Cash, end of year	<u>238,451</u>	<u>2,725</u>

Supplemental Disclosures with Respect to Cash Flows (Note 12)

Rheingold Exploration Corp.

Statements of Changes in Shareholders' Equity (Deficiency)

(Expressed in Canadian Dollars)

	Common Shares	Share Capital	Stock Option Reserve	Warrant Reserve	Contributed Surplus	Deficit	Total Equity
		\$	\$	\$	\$	\$	\$
Balance at 31 January 2015	11,296,260	772,103	89,405	16,766	3,160	(859,802)	21,632
Shares issued for							
Cash	2,000,000	52,554	-	47,446	-	-	100,000
Mineral property	50,000	2,500	-	-	-	-	2,500
Loss for the year	-	-	-	-	-	(153,139)	(153,139)
Balance at 31 January 2016	<u>13,346,260</u>	<u>827,157</u>	<u>89,405</u>	<u>64,212</u>	<u>3,160</u>	<u>(1,012,941)</u>	<u>(29,007)</u>
Shares issued for							
Cash	3,500,000	181,350	-	169,000	-	-	350,350
Share issue cost - units	3,500	(350)	-	350	-	-	-
Share issue costs – cash	-	(17,605)	-	-	-	-	(17,605)
Share issue costs – warrants	-	(65,591)	-	65,591	-	-	-
Loss for the year	-	-	-	-	-	(106,015)	(106,015)
Balance at 31 January 2017	<u>16,849,760</u>	<u>924,961</u>	<u>89,405</u>	<u>299,153</u>	<u>3,160</u>	<u>(1,118,956)</u>	<u>197,723</u>

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

Rheingold Exploration Corp.

Notes to Financial Statements

(Expressed in Canadian Dollars)

31 January 2017

1. Nature and Continuance of Operations

Rheingold Exploration Corp. (the “Company”) was incorporated under the laws of the province of British Columbia on 29 July 2010.

The Company is a mining exploration company involved in acquiring and exploring for gold and other precious metals in Canada.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that the Company will obtain the necessary financing to complete the exploration and development of mineral property interests, or that the current or future exploration and development programs of the Company will result in profitable mining operations. In addition to ongoing working capital requirements, the Company must secure sufficient funding to meet its existing commitments, including conducting minimum exploration and evaluation programs and paying for general and administrative expenses.

The Company’s registered and records office is 128 Dunsmuir Street, Vancouver, BC V6B 1X7.

These 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 continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Several conditions cast significant doubt on the validity of this assumption and ultimately the appropriateness of the use of accounting principles related to a going concern. From inception to date, the Company has incurred losses from operations, earned no revenues and has experienced negative cash flows from operating activities. The Company will require additional funding to be able to meet ongoing requirements for general operations and to advance and retain mineral exploration and evaluation property interests. The ability of the Company to continue as a going concern is dependent on raising additional financing, retaining or attracting joint venture partners, developing its properties and/or generating profits from operations or the disposition of properties in the future. These material uncertainties may cast substantial doubt on the Company’s ability to continue as a going concern.

Management has been successful in obtaining sufficient funding for operating, exploration and capital requirements from the inception of the Company to date. There is, however, no assurance that additional future funding will be available to the Company, or that it will be available on terms which are acceptable to the management of the Company.

If the Company is unable to raise additional capital in the immediate future, management expects that the Company will need to further curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures including ceasing operations.

These financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate and such adjustments could be material.

Rheingold Exploration Corp.

Notes to Financial Statements

(Expressed in Canadian Dollars)

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2. Basis of preparation

The financial statements of the Company were approved and authorized for issue by the Audit Committee of the Board of Directors on 30 May 2017.

The Company's financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in Note 4, and are presented in Canadian dollars except where otherwise indicated.

Statement of compliance

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

3. Summary of Significant Accounting Policies

Significant accounting judgments, estimates and assumptions

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

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

Determining if there are any facts and circumstances indicating impairment loss is a subjective process involving judgment and a number of estimates and interpretations in many cases.

The Company allocates values to stock options based on the Black-Scholes that includes estimates of volatility and estimated life.

These financial statements have been prepared on a basis which assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether this assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions.

Rheingold Exploration Corp.

Notes to Financial Statements

(Expressed in Canadian Dollars)

31 January 2017

3. Summary of Significant Accounting Policies (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of property, plant and equipment, less their estimated residual value, using the declining rate method. The Company's computer equipment is depreciated at a rate of 55%.

Exploration and evaluation properties

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the exploration for and evaluation of mineral resources, before the Company has obtained the legal rights to explore an area, are recognized in profit or loss.

Option payments received are treated as a reduction of the carrying value of the related exploration and evaluation properties and deferred costs until the receipts are in excess of costs incurred, at which time they are credited to income. Option payments are at the discretion of the optionee, and accordingly, are recorded on a cash basis.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use at that time.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Decommissioning, restoration and similar liabilities

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

Rheingold Exploration Corp.

Notes to Financial Statements

(Expressed in Canadian Dollars)

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3. Summary of Significant Accounting Policies (Continued)

Decommissioning, restoration and similar liabilities (continued)

calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related asset with a corresponding entry to the provision.

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

Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net earnings (loss) attributable to common shareholders by the weighted average number of common shares outstanding during the reporting period.

Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that (i) net earnings (loss) attributable to common shareholders are adjusted for fair value gains or losses of warrants (if dilutive) and (ii) the weighted average number of common shares outstanding is adjusted for the number of shares that are potentially issuable in connection with stock options and warrants (if dilutive). The Company assumes that outstanding dilutive stock options and warrants were exercised and that the proceeds from such exercises (after adjustment of any unvested portion of stock options) were used to acquire common stock at the average market price during the reporting periods. For the years presented, this calculation proved to be anti-dilutive.

Share-based payments

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

Taxation

Deferred tax is calculated based on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Rheingold Exploration Corp.

Notes to Financial Statements

(Expressed in Canadian Dollars)

31 January 2017

3. Summary of Significant Accounting Policies (Continued)

Taxation (continued)

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the reporting date.

Financial Assets

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

Financial assets at FVTPL

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

Held-to-maturity and loans and receivables

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

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables. After initial recognition, available-for-sale financial assets are measured at fair value, with gains

Rheingold Exploration Corp.

Notes to Financial Statements

(Expressed in Canadian Dollars)

31 January 2017

3. Summary of Significant Accounting Policies (Continued)

Financial Assets (continued)

Available-for-sale (continued)

or losses recognized within other comprehensive income. Accumulated changes in fair value are recorded as a separate component of equity until the investment is derecognized or impaired. Transaction costs are included in the initial carrying amount of the asset.

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

Derivatives designated as hedging instruments in an effective hedge

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

Financial Liabilities

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

Financial liabilities at FVTPL

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

Financial liabilities measured at amortized cost

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

Derivatives designated as hedging instruments in an effective hedge

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

Rheingold Exploration Corp.

Notes to Financial Statements

(Expressed in Canadian Dollars)

31 January 2017

3. Summary of Significant Accounting Policies (Continued)

Impairment of financial assets

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

Assets carried at amortized cost

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

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

Available-for-sale

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

Derecognition of financial assets and liabilities

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

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

Impairment of non-financial assets

The carrying amount of the Company's assets is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the Company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. Recoverable amount of an asset group is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Rheingold Exploration Corp.

Notes to Financial Statements

(Expressed in Canadian Dollars)

31 January 2017

3. Summary of Significant Accounting Policies (Continued)

Impairment of non-financial assets (continued)

Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in profit or loss.

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

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Accounting standards issued but not yet effective

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

Effective for annual periods beginning on or after January 1, 2017

IAS 12, *Income Taxes*

Amendments to IAS 12 to clarify the recognition of a deferred tax asset for unrealized losses.

Effective for annual periods beginning on or after January 1, 2018

IFRS 9, *Financial Instruments – Classification and Measurement*

IFRS 9 is a new standard on financial instruments that will replace IAS 39, *Financial Instruments: Recognition and Measurement*.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

Rheingold Exploration Corp.

Notes to Financial Statements

(Expressed in Canadian Dollars)

31 January 2017

3. Summary of Significant Accounting Policies (Continued)

IFRS 15, Revenue from Contracts with Customers:

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*.

Effective for annual periods beginning on or after January 1, 2019

IFRS 16, Leases

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model.

4. Financial Instruments and Risk Management

Categories of financial instruments

	As at 31 January 2017 \$	As at 31 January 2016 \$
FINANCIAL ASSETS		
FVTPL, at fair value		
Cash	238,451	2,725
Total financial assets	238,451	2,725
FINANCIAL LIABILITIES		
Other liabilities, at amortized cost		
Trade payables	55,884	38,856
Total financial liabilities	55,884	38,856

The fair value of financial assets and financial liabilities at amortized cost is determined based on discounted cash flow analysis or using prices from observable current market transactions. The Company considers that the carrying amount of all its financial assets and financial liabilities recognized at amortized cost in the financial statements approximates their fair value due to the demand nature or short term maturity of these instruments.

Rheingold Exploration Corp.

Notes to Financial Statements

(Expressed in Canadian Dollars)

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4. Financial Instruments and Risk Management (Continued)

Categories of financial instruments (continued)

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

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

	Fair value hierarchy	FVTPL, at fair value	Other liabilities, at amortized cost
As at 31 January 2017			
Cash	Level 1	238,451	-
Trade payables	N/A	-	55,884
As at 31 January 2016			
Cash	Level 1	2,725	-
Trade payables	N/A	-	38,856

There were no transfers between Level 1, 2 and 3 during the year ended 31 January 2017.

Credit risk

Financial instruments that potentially subject the Company to credit risk consist of cash and amounts receivable. The Company manages its credit risk relating to cash and cash equivalents by dealing only with high-rated financial institutions as determined by rating agencies. As at 31 January 2017, amounts receivable of \$13,830 (2016 - \$5,531) are comprised of Goods and Services Tax/Harmonized Sales Tax ("GST/HST") receivable of \$8,737 (2016 - \$5,531), share subscription receivable of \$5,093 (2016 - \$Nil). As a result, credit risk is considered insignificant. The Company does not consider any of its financial assets to be impaired.

Liquidity risk

The Company manages liquidity risk by maintaining an adequate level of cash to meet its ongoing obligations. The Company has been successful in raising equity financing in the past; however, there is no assurance that it will be able to do so in the future. The Company is exposed to liquidity risk.

Other risks

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant currency risk, interest rate risk and commodity price risk arising from financial instruments.

Rheingold Exploration Corp.

Notes to Financial Statements
(Expressed in Canadian Dollars)

31 January 2017

5. Amounts Receivable

The Company's amounts receivable are as follows:

	As at 31 January 2017	As at 31 January 2016
	\$	\$
GST/HST Receivable	8,737	5,531
Share subscription	5,093	-
	<u>13,830</u>	<u>5,531</u>

The amounts are non-interest bearing, unsecured and have settlement dates within one year.

6. Exploration and Evaluation Properties

The Company's exploration and evaluation properties expenditures for the year ended 31 January 2017 were as follows:

	Pattullo Property	Total
	\$	\$
ACQUISITION COSTS		
Balance, 31 January 2016	-	-
Additions	1,500	1,500
Impairment write-down	(1,500)	(1,500)
Balance, 31 January 2017	-	-
EXPLORATION AND EVALUATION COSTS		
Balance, 31 January 2016	-	-
Impairment write-down	-	-
Balance, 31 January 2017	-	-
Total	-	-

Rheingold Exploration Corp.

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6. Exploration and Evaluation Properties (Continued)

The Company's exploration and evaluation properties expenditures for the year ended 31 January 2016 were as follows:

	Pattullo Property	Millen Mountain Property	Total
	\$	\$	\$
ACQUISITION COSTS			
Balance, 31 January 2015	-	-	-
Additions	2,500	-	2,500
Impairment write-down	(2,500)	-	(2,500)
Balance, 31 January 2016	-	-	-
EXPLORATION AND EVALUATION COSTS			
Balance, 31 January 2015	-	-	-
Impairment write-down	-	-	-
Balance, 31 January 2016	-	-	-
Total	-	-	-

Pattullo Property

On 17 June 2011, the Company entered into an option agreement, subsequently amended, to acquire a one hundred percent (100%) undivided interest in unpatented mining claims located in the Pattullo and Tait townships of the Province of Ontario, Canada (the "Pattullo Property").

The Company has granted a 2% net smelter royalty, 1% of which can be purchased back by the Company for \$1,000,000.

On June 15, 2015 the Company issued 50,000 common shares valued at \$2,500 in exchange for an extension on the option payment terms.

During the year ended 31 January 2017, due to prevailing junior resource market conditions, the uncertainty associated with the Company's ability to exploit any future economic benefits from the Pattullo property and the Company not having sufficient funds to spend on its exploration program, the Company recorded an impairment write-down of \$1,500 (2016 - \$2,500) with respect to the mineral exploration property costs associated with the Pattullo Property.

Millen Mountain Property

The Company held a 100% interest in exploration rights located in Nova Scotia (the "Millen Mountain Property"). In fiscal 2012, the Company optioned the rights to Beja Resources Inc. A company related by virtue of common directors.

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7. Property, Plant and Equipment

A summary of changes in the Company's property, plant and equipment for the years ended 31 January 2017 and 2016 are as follows:

	Computer equipment
COST	\$
As at 31 January 2016	1,491
Additions	-
As at 31 January 2017	1,491
DEPRECIATION	
As at 31 January 2016	1,005
Depreciation	267
As at 31 January 2017	1,272
NET BOOK VALUE	
As at 31 January 2017	219

	Computer equipment
COST	\$
As at 31 January 2015	1,491
Additions	-
As at 31 January 2016	1,491
DEPRECIATION	
As at 31 January 2015	410
Depreciation	595
As at 31 January 2016	1,005
NET BOOK VALUE	
As at 31 January 2016	486

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8. Trade Payables and Accrued Liabilities

Trade payables and accrued liabilities are non-interest bearing, unsecured and have settlement dates within one year.

The Company's trade payables and accrued liabilities are as follows:

	As at 31 January 2017	As at 31 January 2016
	\$	\$
Trade payables	36,626	17,507
Accrued liabilities	8,000	8,000
Employee deductions and remittance	9,212	-
Due to related parties (Note 10)	2,046	13,349
	<u>55,884</u>	<u>38,856</u>

9. Share Capital

Authorized

The total authorized capital are an unlimited number of common shares with no par value.

Issued and Outstanding

As of 31 January 2017, the total issued and outstanding share capital consists of 16,849,760 (2016 - 13,346,260) common shares with no par value.

Share Issuance

On 6 December 2016, the Company issued 3,503,500 units at a price of \$0.10 per unit, consisting of one common share and one share purchase warrant for gross proceeds of \$350,350 of which \$51,500 was a conversion of debt and \$5,093 is included in receivables. Each share purchase warrant entitled the holder to purchase one additional common share of the Company at \$0.25 per share for a period of 2 years from the date of closing on 6 December 2016. The Company paid \$17,605, issued 3,500 units valued at \$350 and issued 251,500 warrants valued at \$65,591 as finders fees. The warrants were valued using the Black-Scholes Option Pricing model with the following assumptions: no expected dividends to be paid; volatility of 253.27% based on historical volatility; risk-free interest rate of 0.72%; and expected life of 2 years.

On 15 June 2015, the Company issued 50,000 common shares of the Company for an extension on option payment terms (Note 6) valued at \$2,500.

On 11 May 2015, the Company issued 2,000,000 units at a price of \$0.05 per unit for proceeds of \$100,000 that comprised of one common share of the Company and one common share purchase warrant exercisable for two years for an additional share at a price of \$0.10. The warrants were valued using the Black Scholes Pricing Model. The fair value of the shares was allocated proportionately to the fair value of the warrants using the proportional method.

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9. Share Capital (Continued)

Stock Options

The Company has adopted a stock option plan (the “Plan”) which provides eligible directors, officers, employees and consultants of the Company with the opportunity to acquire an ownership interest in the Company and is the basis for the Company’s long term incentive scheme. The Plan is administered by the Board, or if appointed, by a special committee of directors appointed from time to time by the Board. The maximum number of common shares issuable under the Plan shall not exceed 10% of the number of common shares of the Company issued and outstanding as of each award date, inclusive of all common shares reserved for issuance pursuant to previously granted stock options. The exercise price of options granted under the Plan will not be less than the closing market price of the Company’s common shares on the exchange. The options have a maximum term of ten years from date of issue and vesting is determined by the board of directors.

The following is a summary of the changes in the Company’s stock option plan for the years ended 31 January 2017 and 2016:

	Year ended 31 January 2017		Year ended 31 January 2016	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning of year	1,121,200	0.14	1,121,200	0.14
Expired	781,200	0.25	-	-
Granted	-	-	-	-
Outstanding, end of year	<u>340,000</u>	<u>0.10</u>	<u>1,121,200</u>	<u>0.14</u>
Exercisable, end of year	<u>340,000</u>	<u>0.10</u>	<u>1,121,200</u>	<u>0.14</u>

There were no stock options granted for the years presented.

The following table summarizes information regarding stock options outstanding and exercisable as at 31 January 2017:

Exercise price	Expiry date	Number of options outstanding and exercisable	Weighted-average remaining contractual life (years)	Weighted average exercise price \$
\$0.10	20 October 2019	<u>340,000</u>	<u>2.72</u>	<u>0.10</u>
Total		<u>340,000</u>	<u>2.72</u>	<u>0.10</u>

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9. Share Capital (Continued)

Share Purchase Warrants

The following is a summary of the changes in the Company's share purchase warrants for the years ended 31 January 2017 and 2016:

	Year ended 31 January 2017		Year ended 31 January 2016	
	Number of share purchase warrants	Weighted average exercise price \$	Number of share purchase warrants	Weighted average exercise price \$
Outstanding, beginning of year	2,000,000 ¹	0.10	-	-
Expired	-	-	-	-
Issued	<u>3,755,000</u>	<u>0.25</u>	<u>2,000,000</u>	<u>0.10</u>
Outstanding, end of year	<u>5,755,000</u>	<u>0.20</u>	<u>2,000,000</u>	<u>0.10</u>

¹ Exercised subsequent to year end (Note 14).

10. Related Party Transactions

Key management personnel compensation

Key management personnel includes directors and officers of the Company. The remuneration of directors and other members of key management are as follows:

	For the year ended 31 January 2017 \$	For the year ended 31 January 2016 \$
Short-term benefits - Management fees, salaries and benefits	31,400	37,654
	<u>31,400</u>	<u>37,654</u>

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10. Related Party Transactions (Continued)

Due from/to related parties

Trade payables and accrued liabilities of the Company include the following amounts due to related parties:

	As at 31 January 2017	As at 31 January 2016
	\$	\$
An officer of the Company	<u>(2,046)</u>	<u>(13,349)</u>
Total amount due to related parties	<u>(2,046)</u>	<u>(13,349)</u>

During the year ended January 31, 2017, the Company settled amounts owing to related parties of \$48,500 through the issuance of 485,000 units. Each unit consisted of one common share and one share purchase warrant (2016 - \$Nil)

11. Income Taxes

Provision for income taxes

The provision (recovery) for income taxes differs from the amount that would have resulted by applying the combined Canadian federal and provincial statutory tax rates of 26.00% (2016 – 26.00%).

	For the year ended 31 January 2017	For the year ended 31 January 2016
	\$	\$
Loss before income taxes	<u>(106,015)</u>	<u>(153,139)</u>
Expected income tax recovery	(28,000)	(40,000)
Permanent differences	-	1,000
Other	2,000	-
Share issuance cost	(5,000)	-
Change in unrecognized deductible temporary differences	<u>31,000</u>	<u>39,000</u>
Income tax recovery	<u>-</u>	<u>-</u>

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11. Income Taxes (Continued)

Deferred tax balances

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

	As at 31 January 2017 \$	As at 31 January 2016 \$
Non-capital loss carryforward	235,000	205,000
Exploration and evaluation properties	63,000	62,000
Share issue costs	8,000	8,000
	<hr/>	<hr/>
	306,000	275,000
Unrecognized deferred tax assets	(306,000)	(275,000)
	<hr/>	<hr/>
Net deferred tax assets	-	-

The Company's unrecognized deferred tax assets related to unused tax losses have the following expiry dates:

	2017	Expiry Date Range
Temporary Differences		
Exploration and evaluation assets	241,000	No expiry date
Property and equipment	1,000	No expiry date
Share issue costs	32,000	2036 to 2040
Non-capital losses available for future period	903,000	2031 to 2037

12. Supplemental Disclosures with Respect to Cash Flows

	For the year ended 31 January 2017 \$	For the year ended 31 January 2016 \$
Cash paid during the year for interest	762	-
Allocation of proceeds to warrants attached to units	169,000	-
Warrants issued for finders' fees	65,591	-
Units issued for finders' fees	350	-
Units issued for settlement of debt	51,500	-
Shares issued for mineral property	-	2,500

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13. Capital Risk Management

The Company manages its capital structure and makes adjustments to it to effectively support the acquisition, exploration and development of mineral properties. In the definition of capital, the Company includes, as disclosed on its statement of financial position: share capital, deficit and equity reserves.

The Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for general administrative costs, the Company will be using its existing working capital and will raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended 31 January 2017. The Company is not subject to externally imposed capital requirements and does not have exposure to asset-backed commercial paper or similar products.

14. Subsequent Events

Subsequent to January 31, 2017, the Company:

- a) Issued 2,000,000 common shares on the exercise of 2,000,000 warrants for proceeds of \$200,000.
- b) Entered into a Letter of Intent ("LOI") dated March 15, 2017, followed by an option agreement (the "Sub-Option Agreement") dated May 24, 2017 with BeiSur OstBarat Agency Ltd. ("BOAL"). BOAL holds an option to earn a 51% undivided interest, with an option to acquire up to a further 25% interest in the Bygoo Tin Project (the "Property"), located in New South Wales, Australia. BOAL's interest in the Property is subject to an underlying agreement between BOAL and Riverston Tin Pty Ltd. ("Riverston").

The Sub-Option Agreement provides that the Company may exercise its option to acquire BOAL's interest in the Property for the following:

- i. payments to Riverston of the aggregate sum of AUD\$2,880,000 (the "Payment"),
- ii. reimbursement of the expenses incurred by BOAL of the aggregate sum of CDN\$210,000 (the "Expenses"), and
- iii. the issuance to BOAL of 3,000,000 common shares (the "Shares"), as set out below.

The Payment shall be made by the Company directly to Riverston in the following amounts:

- i. AUD\$100,000 (CDN\$101,530) on or before May 25, 2017 (paid);
- ii. AUD\$480,000 June 20, 2017;
- iii. AUD\$800,000 on or before August 31, 2017; and
- iv. AUD\$1,500,000 on or before January 31, 2018,

The Company has also agreed to pay Riverston AUD\$40,000 cash on or before June 20 2017 and to issue common shares having an aggregate value of AUD\$40,000 on or before June 20 2017.

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14. Subsequent Events (Continued)

The Company shall pay the Expenses to BOAL within 5 business days of the acceptance for filing by the CSE. The Shares shall then be issued to BOAL as follows:

- i. 700,000 common shares within 5 business days of approval by the CSE;
- ii. 800,000 common shares on or before July 31, 2017; and
- iii. 1,500,000 common shares on or before January 31, 2018;

The Company has the option to acquire a further 25% interest in the Property for AUD\$22,000,000.