GORILLA MINERALS CORP.

Condensed Consolidated Interim Financial Statements

For the Six Months Ended January 31, 2017

(Unaudited)

(Expressed in Canadian dollars)

GORILLA MINERALS CORP.

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March 20, 2017

Consolidated Interim Financial Statements

Second Quarter Report

For the six month period ended January 31, 2017 and 2016

NOTICE TO READER

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company must disclose if an auditor has not performed a review of the interim financial statements.

The accompanying unaudited consolidated interim financial statements have been prepared by and are the responsibility of the Company's management.

These unaudited consolidated interim financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company.

Yours truly,

GORILLA MINERALS CORP.

"Scott Sheldon"

Scott Sheldon
Corporate Secretary

GORILLA MINERALS CORP.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
(Expressed in Canadian dollars)

	January 31, 2017 $	July 31, 2016 $
Assets		
Current Assets		
Cash and cash equivalents	22,452	70
GST and other receivables	1,821	813
	24,273	883
Mineral properties (Note 4)	-	145,410
	24,273	146,293
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	161	56,706
Due to related parties (Note 8)	6,916	35,933
Notes payable (Note 5)	55,119	53,008
Convertible promissory notes payable (Note 6)	162,116	153,372
	224,312	299,019
Shareholders' Equity		
Share capital (Note 7)	1,069,412	1,069,412
Contributed surplus	165,554	165,554
Deficit	(1,435,005)	(1,387,692)
	(200,039)	(152,726)
	24,273	146,293

Nature of operations and continuance of business (Note 1)

Approved by the Board of Directors on March 20, 2017:

"Scott Sheldon"	*"Donald Sheldon"*
Scott Sheldon, Director	Donald Sheldon, Director

(The accompanying notes are an integral part of these consolidated interim financial statements)

GORILLA MINERALS CORP.
Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(Unaudited)
(Expressed in Canadian dollars)

	Three months ended January 31, 2017 $	Three months ended January 31, 2016 $	Six months ended January 31, 2017 $	Six months ended January 31, 2016 $
Exploration Expenses	-	3,597	-	5,597
Administrative Expenses				
Audit and accounting	6,130	5,000	18,130	9,500
Interest expense	5,472	5,296	10,855	10,618
Legal	1,268	1,111	4,517	5,621
Management fees	6,000	10,500	12,000	21,000
General and administrative	990	773	1,246	3,811
Stock-based compensation	-	-	-	116,803
Transfer agent, filing and stock exchange fees	4,525	2,572	5,155	3,239
Travel	-	1,333	-	1,504
	(24,385)	(26,585)	(51,903)	(172,096)
Gain on Option Agreement (Note 4)	154,590	-	154,590	-
Net income (loss) and comprehensive income (loss) for the period	130,205	(30,182)	102,687	(177,693)
Income (loss) per share, basic and diluted	0.01	(0.01)	0.01	(0.03)
Weighted average shares outstanding	10,595,258	6,495,258	10,595,258	6,479,311

(The accompanying notes are an integral part of these consolidated interim financial statements)

GORILLA MINERALS CORP.
Condensed Consolidated Interim Statement of Changes in Equity
(Unaudited)
(Expressed in Canadian dollars)

	Share Capital					
	Common Shares	Amount $	Share subscription received in advance $	Contributed surplus* $	Deficit $	Total $
Balance, at July 31, 2015	6,322,650	944,260	-	34,561	(1,144,765)	(165,944)
Shares issued for debt	172,608	43,152	-	-	-	43,152
Share subscription received in advance	-	-	82,000	-	-	82,000
Stock-based compensation	-	-	-	116,803	-	116,803
Net loss for the period	-	-	-	-	(177,693)	(177,693)
Balance, at January 31, 2016	6,495,258	987,412	82,000	151,364	(1,322,458)	(101,682)
Balance, at July 31, 2016	10,595,258	1,069,412	-	165,554	(1,387,692)	(152,726)
Distribution of WMM shares to the shareholders (Note 4)	-	-	-	-	(150,000)	(150,000)
Net income for the period	-	-	-	-	102,687	102,687
Balance, at January 31, 2017	10,595,258	1,069,412	-	165,554	(1,435,005)	(200,039)

GORILLA MINERALS CORP.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
(Expressed in Canadian dollars)

	Six months ended January 31, 2017 $	Six months ended January 31, 2016 $
Cash provided by (used in):		
Operating activities		
Net income (loss) for the period	102,687	(177,693)
Adjustments for non-cash items		
Interest accrual on promissory note	10,855	10,618
Gain on Option Agreement (Note 4)	(154,590)	-
Stock-based compensation	-	116,803
Changes in non-cash operating working capital:		
GST recoverable	(1,008)	12,048
Accounts payable and accrued liabilities	(56,545)	(41,374)
Due to related parties	(29,017)	(13,260)
	(127,618)	(92,858)
Investing activities		
Option payments received	150,000	(20,000)
Payment of property option	-	(20,000)
Net proceeds received from Government of Yukon in Contribution Funds	-	40,000
	150,000	20,000
Financing activities		
Share subscriptions received	-	82,000
Repayment of promissory note	-	(15,000)
	-	67,000
Decrease in cash	22,382	(5,858)
Cash, beginning of period	70	24,000
Cash, end of period	22,452	18,142
Supplemental information		
Interest paid	-	-
Taxes paid	-	-

(The accompanying notes are an integral part of these consolidated interim financial statements)

1. Nature of Operations and Continuance of Business

Gorilla Minerals Corp. ("Gorilla" or the "Company") was incorporated on April 27, 2012 in Canada with limited liability under the legislation of the Province of British Columbia. Gorilla's registered office is located at Suite 2000 – 1177 West Hastings Street, Vancouver, BC, V6E 2K3, Canada.

Gorilla is an exploration stage company and is in the process of exploring its mineral properties in Canada and has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of amounts spent for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its property, and upon future profitable production or proceeds from disposition of the properties. The operations of the Company will require various licences and permits from various governmental authorities which are or may be granted subject to various conditions and may be subject to renewal from time to time. There can be no assurance that the Company will be able to comply with such conditions and obtain or retain all necessary licences and permits that may be required to carry out exploration, development, and mining operations at its projects. Failure to comply with these conditions may render the licences liable to forfeiture.

These condensed consolidated interim financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. As at January 31, 2017, the Company has not generated any revenues from operations and has an accumulated deficit of $1,435,005. The Company expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These condensed consolidated interim financial statements do not reflect any adjustments to the carrying values of assets and liabilities, the reported expenses, and the balance sheet classifications used that may be necessary if the Company is unable to continue as a going concern.

2. Basis of Presentation

(a) Statement of Compliance

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

2. Basis of Presentation (continued)

(b) Basis of Measurement

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3.

(c) Functional and Presentation Currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements. These consolidated financial statements are presented in Canadian dollars, which is the Company's presentation and functional currency.

(d) Subsidiaries

These consolidated interim financial statements include the financial statements of the Company and the wholly-owned subsidiary, Shiraz Petroleum Corporation (formerly Hella Resources Corp.) from the date of incorporation on November 17, 2014. Shiraz Petroleum Corporation is a dormant/inactive company.

3. Significant Accounting Policies

(a) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments that are readily convertible into known amounts of cash within three months.

(b) Mineral Properties

Recognition and Measurement

The Company charges to operations all exploration and evaluation expenses incurred prior to the determination of economically recoverable reserves. These costs would also include periodic fees such as license and maintenance fees and advance royalty payments.

The Company capitalizes direct mineral property acquisition costs and those expenditures incurred following the determination that the property has economically recoverable reserves. Mineral property acquisition costs include cash consideration and the fair value of common shares issued for mineral property interests, pursuant to the terms of the relevant agreement. These costs are amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned, or when impairment in value has been determined to have occurred. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

3. Significant Accounting Policies (continued)

(b) Mineral Properties (continued)

The Company may occasionally enter into option-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would otherwise be undertaken by the Company.

The Company does not record any expenditures made by the optionee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess cash accounted as a gain on disposal.

(c) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as finance expense. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(d) Income Taxes

Provision for income taxes consists of current and deferred tax expense. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized either in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income or in equity, respectively. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date.

3. Significant Accounting Policies (continued)

(d) Income Taxes (continued)

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference 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 the related tax benefit will be realized. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

(e) Financial Instruments

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities of greater than 12 months after the end of the reporting periods, which are classified as non-current assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs.

Gains and losses are recognized in the profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Financial Assets at Fair Value Through Profit or Loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

3. Significant Accounting Policies (continued)

(e) Financial Instruments (continued)

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an instrument is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Financial Liabilities

Financial liabilities other than derivative liabilities are recognized initially at fair value and are subsequently stated at amortized cost. These liabilities include accounts payable and accrued liabilities, other liabilities and loans. Transaction costs on financial assets and liabilities other than those classified as fair value through profit and loss are treated as part of the carrying value of the asset or liability. Transaction costs for assets and liabilities at fair value through profit and loss are expensed as incurred.

Impairment of Financial Assets

The Company assesses at the end of each reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

An impairment loss in respect of a financial asset carried at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted using the instrument’s original effective interest rate.

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset that was previously recognized in profit or loss, is removed from equity and recognized in the income statement.

3. Significant Accounting Policies (continued)

(e) Financial Instruments (continued)

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. Impairment losses recognized for equity securities are not reversed.

(f) Loss Per Share

Basic earnings or loss per share is computed by dividing the earnings or loss for the period by the weighted average number of common shares outstanding during the relevant period. The treasury stock method is used for the calculation of diluted earnings or loss per share. Stock options, share purchase warrants, and other equity instruments are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options, warrants and other equity instruments. When a loss has been incurred, basic and diluted loss per share is the same because the exercise of options and warrants would be anti-dilutive.

(g) Comprehensive Income

Comprehensive income or loss is the change in net assets arising from transactions and other events and circumstances from non-owner sources, and comprises net income or loss and other comprehensive income or loss. Financial assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive income or loss until the asset is removed from the balance sheet.

(h) Share Capital

The Company records proceeds from share issuances net of issue costs and any tax effects in shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the agreement to issue shares was concluded. Common shares held by the Company are classified as treasury stock and recorded as a reduction to shareholders' equity.

(i) Related Parties

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.

3. Significant Accounting Policies (continued)

(j) Critical Accounting Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include recognition of deferred income tax amounts and provision for restoration, rehabilitation and environmental costs.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

<u>Economic recoverability and probability of future economic benefits of mineral properties</u>
Management has determined that mineral property costs incurred which were capitalized have future economic benefits and are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geological and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

<u>Determination of functional currency</u>
The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

<u>Income taxes</u>
In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

<u>Site decommissioning obligations</u>
The Company recognizes a provision for future abandonment activities in the financial statements equal to the net present value of the estimated future expenditures required to settle the estimated future obligation at the statement of financial position date. The measurement of the decommissioning obligation involves the use of estimates and assumptions including the discount rate, the expected timing of future expenditures and the amount of future abandonment costs. The estimates were made by management and external consultants considering current costs, technology and enacted legislation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

4. Mineral Properties

Whitehorse, Yukon Territory, Canada
Pursuant to an option agreement dated June 6, 2011, Gorilla Resources Corp. was granted an option to acquire a 100% interest in the Wels property located in Whitehorse, Yukon Territory, Canada. On April 23, 2012, Gorilla Resources Corp. assigned all the benefits, rights and obligations under the option agreement to the Company. The property consists of 136 unpatented mining claims and is subject to a 3% Net Smelter Returns ("NSR") in favour of the optionor. The Company has the right to buy back the NSR for a cash payment of $750,000 for each 1%, to a maximum of $1,500,000, at any time. To maintain and exercise the option, the Company must:

- Make cash payments of $15,900 upon signing (paid by Gorilla Resources Corp.);
- Make cash payments of $15,450 upon the completion of a National Instrument 43-101 technical report (paid by Gorilla Resources Corp.);
- Issue 15,000 common shares on the sixth month anniversary (issued by Gorilla Resources Corp.);
- Make cash payments of $25,000 and issue 10,000 common shares on or before September 30, 2012 (subsequently extended to make a cash payment of $10,000 by October 31, 2012 and $15,000 by January 31, 2013) (paid/issued by the Company);
- Make payments of $40,000 on or before September 30, 2013, payable in cash, common shares, or a combination of cash and common shares (subsequently amended to payment of $20,000 in cash on or before February 28, 2014 pursuant to a payment extension agreement dated November 19, 2013) (paid by the Company);
- Issue 10,000 common shares on or before 14 days from the date of a payment extension agreement dated November 19, 2013 pursuant to a payment extension agreement dated November 19, 2013 (issued on November 21, 2013);
- Make payments of $80,000 on or before September 30, 2014, payable in cash, common shares, or a combination of cash and common shares (amended to payment of $40,000 in cash on October 16, 2014 and $40,000 issued in shares on October 24, 2014). (Paid/issued by the Company).

On November 12, 2013, the Company granted to Enfield Resources an option to acquire a 100% undivided right, title and interest in certain mineral claims of the Wels property ("Wels Nickel Project"). The Company was entitled to receive a royalty interest equal to 5% of NSR. Enfield Resources was entitled to redeem the entitlement of the Company to its share of NSR by paying $1,500,000 to the Company for each 1% so redeemed, to a maximum of $7,500,000. In order to the option and to earn the interests in the Wels Nickel Project, Enfield was to make the following payments in cash to the Company:

- $10,000 on or before November 12, 2013 (received);
- $15,000 within 5 days of CSE Listing (received);
- $2,500 on or before May 1, 2014 (received);
- $80,000 on or before September 30, 2014 (Enfield defaulted on payment. The option agreement was terminated on October 30, 2014); and
- $80,000 on or before September 30, 2015.

4. Mineral Properties (continued)

On January 7, 2014, the Company entered into an Option and Joint Venture Agreement with First Ferro whereby the Company granted First Ferro an option to acquire a 40% undivided beneficial interest in certain mineral claims of the Wels property (“Wels Gold Project”) by making the following payments:

- $7,500 on execution of the Arrangement Agreement (received);
- $10,500 within 5 days of the CSE Listing (received);
- $100,000 on or before June 30, 2014 (First Ferro defaulted on payment, Option Agreement was terminated on August 31, 2014);
- $100,000 on or before December 31, 2014;
- $100,000 on or before June 30, 2015; and
- $100,000 on or before December 31, 2015.

During the six months ended January 31, 2017, the Company received $Nil (2016: $40,000) from the Government of Yukon in contribution funds for mining exploration.

During the six months ended January 31, 2017, the Company did not incur exploration expenditures (2016 - $5,597) on the Wels Property.

On August 11, 2016, the Company entered into an Option to Joint Venture Agreement (the “Option Agreement”) with West Melville Metals Inc. (“WMM”, later changed its name to K2 Gold Corporation). Pursuant to the Option Agreement, the Company agreed to grant to WMM the sole and exclusive right and option to acquire an undivided 90% interest in the Wels property and other assets, as defined in the Option Agreement, subject to 3% NSR royalty on the minerals produced from the property, and upon the exercise of such option, the parties have agreed to form a joint venture (the “Option”).

In order to exercise the Option, WMM must:

(a) pay to the Company:

(i) $50,000, within five Business Days after the date of TSX Venture Exchange (“TSX-V”)’s acceptance of the Option Agreement (received);
(ii) an additional $100,000 on or before the date that is 30 days after the date of the Option Agreement (received);
(iii) an additional $100,000 on or before the date that is 12 months after the date of the Option Agreement; and
(iv) an additional $100,000 on or before the date that is 24 months after the date of the Option Agreement;

for total cash payments in aggregate of $350,000;

4. Mineral Properties (continued)

(b) issue and deliver to Gorilla:

- (i) 500,000 WMM shares within five Business Days after the date of TSX-V's acceptance of the Option Agreement (received, valued at $150,000);
- (ii) an additional 500,000 WMM shares on or before the date that is 6 months after the date of the Option Agreement;
- (iii) an additional 500,000 WMM shares on or before the date that is 12 months after the date of the Option Agreement;
- (iv) an additional 500,000 WMM shares on or before the date that is 18 months after the date of the Option Agreement;
- (v) an additional 500,000 WMM shares on or before the date that is 24 months after the date of the Option Agreement;
- (vi) an additional 500,000 WMM shares on or before the date that is 30 months after the date of the Option Agreement;

for a total issuance in aggregate of 3,000,000 WMM shares. The Company intends to distribute its WMM shares to the Company's shareholders as soon as is reasonably practicable following the receipt of any such shares from WMM.

5. Notes Payable

During the year ended July 31, 2014, the Company received loan proceeds of $40,365 from directors and companies owned by directors of the Company. During the year ended July 31, 2014, the Company repaid $7,567. The notes payable was accounted for at amortized cost using the effective interest rate method with the effective interest rate of 12% per annum. During the year ended July 31, 2014, the debt discount of $4,290 was credited to contributed surplus, debited to notes payable and amortized over the term of the notes.

During the year ended July 31, 2015, the Company received additional loan proceeds of $22,500 from directors and companies owned by directors of the Company. On March 31, 2015, the Company entered into two loan agreements with companies owned by directors of the Company in the amounts of $35,000 and $10,000, respectively (the "Loans"). The Loans replaced the notes payable, in the same amounts, that were previous owed to related parties. The Loans bears 5% interest, are unsecured, and are due on March 31, 2017. The Loans were accounted for at amortized cost using the effective interest rate method with the effective interest rate of 12% per annum. During the year ended July 31, 2015, the debt discount of $5,539 was credited to contributed surplus, debited to notes payable and amortized over the term of the notes.

On March 31, 2015, the Company entered into a convertible promissory note agreement with a company controlled by a director of the Company to convert $50,000 of the note into a convertible promissory note (Note 6).

During the six months ended January 31, 2017, the Company accrued an interest expense of $2,111 (2016 - $2,428) related to the Loans.

(Expressed in Canadian dollars)

6. Convertible Promissory Notes Payable

On March 31, 2015, the Company entered into various convertible promissory note agreements for a total principal amount of $150,000 (the "Convertible Notes"). Total proceeds of $50,000 was received from a third party, $50,000 note payable was converted by a company controlled by a director of the Company (Note 5), and $50,000 amount due to related party was converted by a company controlled owned by the President of the Company (Note 8).

The Convertible Notes bear 5% interest, are unsecured, and are due on March 31, 2017. At any time prior to the maturity date, the lenders may convert all or any part of the principal amount into shares of the Company at a price of $0.15 per share. At the date of issue, the debt portion of the convertible Notes was recorded at its fair value of $131,538, assuming a fair value of interest rate for comparable debt of 12% per annum. The equity component, which is the fair value attributed to the conversion feature, had a carrying value of $18,462, being the difference between the face amount and the fair value of the debt. The carrying value of the equity component was recorded as a separate component of shareholders' equity. Subsequent to initial recognition, the debt has been amortized over the term of the debt using the effective interest rate method at discount rate of 12%. During the six months ended January 31, 2017, the Company accrued an interest and accretion expense of $8,744 (2016 - $8,190) related to the Convertible Notes.

7. Share Capital

(a) Authorized

Unlimited number of common shares without par value

(b) Share transactions for the six months ended January 31, 2017 and 2016:

On January 21, 2016, the Company received $82,000 related to shares that were issued on March 1, 2016.

On August 18, 2015, the Company issued 172,608 common shares to settle accounts payable of $43,152.

(c) Warrants

As at January 31, 2017, outstanding warrants to purchase common shares were as follows:

Number of warrants	Date of Grant	Expiration Date	Exercise Price
880,000	March 31, 2015	March 31, 2017	$0.30

(Expressed in Canadian dollars)

7. Share Capital (continued)

(c) Warrants (continued)

	Six months ended January 31, 2017			Year ended July 31, 2016		
Warrants	Warrants		Weighted Average Exercise Price	Warrants		Weighted Average Exercise Price
Opening	**1,052,608**	**$**	**0.30**	880,000	$	0.30
Granted	**-**		**-**	172,608		0.30
Expired	**(172,608)**		**0.30**			
Ending	**880,000**	**$**	**0.30**	1,052,608	$	0.30

(d) Stock options

The table below lists the outstanding and exercisable options to purchase common shares as at January 31, 2017:

Options Outstanding	Date of Grant	Expiration Date	Exercise Price
630,000	August 10, 2015	August 10, 2020	$0.25

	Six months ended January 31, 2017			Year Ended July 31, 2016		
Options	Number of Options		Weighted Average Exercise Price	Number of Options		Weighted Average Exercise Price
Opening	**630,000**	**$**	**0.25**	-		-
Granted	**-**		**-**	630,000	$	0.25
Ending	**630,000**	**$**	**0.25**	630,000	$	0.25
Exercisable	**630,000**	**$**	**0.25**	630,000	$	0.25

The stock options granted during the year ended July 31, 2016 were valued at $116,803 using the Black-Scholes Option Pricing Model, using the following assumptions:

Grant date	Expected life	Volatility	Dividend yield	Risk-free interest rate
August 10, 2015	5 years	100%	0%	0.79%

(Expressed in Canadian dollars)

8. Related Party Transactions

During the six months ended January 31, 2017, the Company incurred $12,000 (2016: $12,000) in management fees from a company owned by the President of the Company. At January 31, 2017, the Company owed $6,916 (July 31, 2016: $35,933) to directors and their companies and had $55,119 (July 31, 2016: $53,008) of notes payable (Note 5) and $108,077 (July 31, 2016: $102,248) of convertible promissory notes payable (Note 6) to directors and their companies.

Refer to Notes 5, 6 and 7 for related party transactions.

9. Financial Instruments

(a) Classification of Financial Instruments

The Company has classified its financial instruments as follows:

	January 31, 2017 $
Financial assets:	
Held for trading, measured at fair value:	
Cash	-
	-
Financial liabilities, measured at amortized cost:	
Trade payable	161
Due to related parties	6,916
Notes payable	55,119
Convertible promissory notes payable	162,116
	224,312

(b) Fair Values

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

9. Financial Instruments (continued)

As at January 31, 2017, the fair values of accounts payable, due to related parties and current portion of notes payable, approximate their carrying values due to the relatively short-term maturity of these instruments. The Convertible Notes, bearing 5% interest, unsecured, and due on March 31, 2017, are booked at amortized costs.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at January 31, 2017, the Company does not have sufficient cash to settle current liabilities of $224,312.

(d) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company's cash is largely held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company's receivables consist of GST receivable due from the Federal Government of Canada. The Company maintains cash deposits with Schedule A financial institutions, which from time to time may exceed federally insured limits. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

(e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

(f) Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not hold any financial liabilities with variable interest rates other than notes and convertible notes payables (Notes 5 and 6). The Company does maintain bank accounts which earn interest at variable rates but it does not believe it is currently subject to any significant interest rate risk.

(g) Foreign currency exchange rate risk

The Company currently has no significant operations denominated in foreign currencies. Management believes there is no significant foreign currency exchange rate risk.

10. Capital Management

The Company defines its capital as cash and equity comprised of issued share capital and deficit. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage. As such, the Company has historically relied on the equity markets to fund its activities. In addition, the Company is dependent upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will need to raise additional funds. 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.

The Company is not subject to externally imposed capital requirements as at January 31, 2017.

11. Segmented Information

The Company operates in one reportable operating segment, being the acquisition and exploration of mineral properties in Canada. As the operations comprise a single reporting segment, amounts disclosed also represent segment amounts.