



Financial Statements October 31, 2016 (Unaudited)

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*Notice to Reader*

*The accompanying unaudited interim financial statements of Freeport Resources Inc. for the period ended October 31, 2016 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company's independent auditors.*



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**FREEPORT RESOURCES INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)  
(Unaudited)

|                                                                | Notes | October 31,<br>2016<br>\$ | January 31,<br>2016<br>\$ |
|----------------------------------------------------------------|-------|---------------------------|---------------------------|
| <b>ASSETS</b>                                                  |       |                           |                           |
| <b>Current Assets</b>                                          |       |                           |                           |
| Cash                                                           |       | 85                        | 1,690                     |
| GST receivable                                                 |       | 6,217                     | 438                       |
| Available-for-sale investment                                  |       | 300                       | 300                       |
| <b>Total current assets</b>                                    |       | <b>6,602</b>              | <b>2,428</b>              |
| <b>Non-current assets</b>                                      |       |                           |                           |
| Equipment                                                      |       | 380                       | 458                       |
| Exploration and evaluation assets                              | 4     | 1,246,573                 | 1,196,778                 |
| <b>Total non-current assets</b>                                |       | <b>1,246,953</b>          | <b>1,197,236</b>          |
| <b>Total assets</b>                                            |       | <b>1,253,555</b>          | <b>1,199,664</b>          |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                    |       |                           |                           |
| <b>Current Liabilities</b>                                     |       |                           |                           |
| Trade payables and accrued liabilities                         | 5     | 69,375                    | 26,243                    |
| <b>Total current liabilities</b>                               |       | <b>69,375</b>             | <b>26,243</b>             |
| <b>Non-current Liabilities</b>                                 |       |                           |                           |
| Due to related parties                                         | 6     | 1,528,178                 | 1,423,845                 |
| <b>Total non-current liabilities</b>                           |       | <b>1,528,178</b>          | <b>1,423,845</b>          |
| <b>Total Liabilities</b>                                       |       | <b>1,597,553</b>          | <b>1,450,088</b>          |
| <b>Shareholders' equity (deficiency)</b>                       |       |                           |                           |
| Share capital                                                  | 7     | 4,620,561                 | 4,620,561                 |
| Share-based payment reserve                                    | 7     | 398,458                   | 398,458                   |
| Deficit                                                        |       | (5,363,017)               | (5,269,443)               |
| <b>Total shareholders' equity (deficiency)</b>                 |       | <b>(343,998)</b>          | <b>(250,424)</b>          |
| <b>Total liabilities and shareholders' equity (deficiency)</b> |       | <b>1,253,555</b>          | <b>1,199,664</b>          |

Approved for issuance on behalf of the Board of Directors:

"Brenda Clark" Director

"Tracy Clark" Director

The accompanying notes are an integral part of these financial statements

**FREEPORT RESOURCES INC.****STATEMENTS OF COMPREHENSIVE LOSS****FOR THE NINE MONTHS ENDED OCTOBER 31, 2016**

(Expressed in Canadian Dollars)

(Unaudited)

|                                   | Notes | Three Months Period Ended<br>October 31,<br>2016<br>\$ | October 31,<br>2015<br>\$ | Nine Months Period Ended<br>October 31,<br>2016<br>\$ | October 31,<br>2015<br>\$ |
|-----------------------------------|-------|--------------------------------------------------------|---------------------------|-------------------------------------------------------|---------------------------|
| <b>EXPENSES</b>                   |       |                                                        |                           |                                                       |                           |
| Advertising and promotion         |       | 180                                                    | 200                       | 440                                                   | 620                       |
| Amortization                      | 4     | 26                                                     | 34                        | 78                                                    | 102                       |
| Audit and accounting              |       | 2,000                                                  | 2,600                     | 6,000                                                 | 8,160                     |
| Bank charges and interest         |       | 21                                                     | 4                         | 121                                                   | 80                        |
| Management fees                   | 7     | 22,500                                                 | 22,500                    | 67,500                                                | 67,500                    |
| Legal                             |       | 2,477                                                  |                           | 2,477                                                 | -                         |
| Office and general                |       | 862                                                    | 1,903                     | 3,014                                                 | 5,322                     |
| Stock exchange fees and licences  |       | 2,535                                                  | -                         | 7,735                                                 | 6,900                     |
| Telephone                         |       | 1,112                                                  | 952                       | 3,089                                                 | 3,804                     |
| Transfer agents fees              |       | 995                                                    | 872                       | 3,120                                                 | 2,702                     |
|                                   |       | (32,708)                                               | (29,065)                  | (93,574)                                              | (95,190)                  |
| <b>OTHER ITEMS</b>                |       |                                                        |                           |                                                       |                           |
| BC Exploration Tax Credit         |       | -                                                      | 312                       | -                                                     | 312                       |
| <b>NET AND COMPREHENSIVE LOSS</b> |       | <b>(32,708)</b>                                        | <b>(28,753)</b>           | <b>(93,574)</b>                                       | <b>(94,878)</b>           |
| <b>LOSS PER COMMON SHARE –</b>    |       |                                                        |                           |                                                       |                           |
| <b>BASIC AND DILUTED</b>          |       | <b>(0.00)</b>                                          | <b>(0.00)</b>             | <b>(0.01)</b>                                         | <b>(0.01)</b>             |
| <b>WEIGHTED AVERAGE</b>           |       |                                                        |                           |                                                       |                           |
| <b>NUMBER OF COMMON</b>           |       |                                                        |                           |                                                       |                           |
| <b>SHARES OUTSTANDING –</b>       |       |                                                        |                           |                                                       |                           |
| <b>BASIC AND DILUTED</b>          |       | <b>16,831,232</b>                                      | <b>16,831,232</b>         | <b>16,831,232</b>                                     | <b>16,831,232</b>         |

The accompanying notes are an integral part of these financial statements

**FREEPORT RESOURCES INC.**

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

FOR THE NINE MONTHS ENDED OCTOBER 31, 2016

(Expressed in Canadian Dollars)

(Unaudited)

|                           | Common shares |              | Share-based<br>Payment<br>Reserve | Deficit     | Total     |
|---------------------------|---------------|--------------|-----------------------------------|-------------|-----------|
|                           | Number        | Amount<br>\$ | \$                                | \$          | \$        |
| Balance, January 31, 2015 | 16,831,232    | 4,620,561    | 398,458                           | (4,873,924) | 145,095   |
| Loss for the period       |               |              |                                   | (94,878)    | (94,878)  |
| Balance, October 31, 2015 | 16,831,232    | 4,620,561    | 398,458                           | (4,968,802) | 50,217    |
| Balance, January 31, 2016 | 16,831,232    | 4,620,561    | 398,458                           | (5,269,443) | (250,424) |
| Loss for the period       |               |              |                                   | (93,574)    | (93,574)  |
| Balance, October 31, 2016 | 16,831,232    | 4,620,561    | 398,458                           | (5,363,017) | (343,998) |

The accompanying notes are an integral part of these financial statements

**FREEPORT RESOURCES INC.****STATEMENTS OF CASH FLOWS****FOR THE NINE MONTHS ENDED OCTOBER 31, 2016**

(Expressed in Canadian Dollars)

(Unaudited)

|                                                    | Three Months Period Ended<br>October 31,<br>2016<br>\$ | October 31,<br>2015<br>\$ | Nine Months Period Ended<br>October 31,<br>2016<br>\$ | October 31,<br>2015<br>\$ |
|----------------------------------------------------|--------------------------------------------------------|---------------------------|-------------------------------------------------------|---------------------------|
| <b>CASH FLOWS FROM<br/>OPERATING ACTIVITIES</b>    |                                                        |                           |                                                       |                           |
| <b>Net loss</b>                                    | (32,708)                                               | (28,753)                  | (93,574)                                              | (94,878)                  |
| Adjustments to add (deduct) non-cash items         |                                                        |                           |                                                       |                           |
| Amortization                                       | 26                                                     | 34                        | 78                                                    | 102                       |
| Working capital adjustments:                       |                                                        |                           |                                                       |                           |
| Sales tax receivable                               | (368)                                                  | 499                       | (5,779)                                               | 1,931                     |
| Trade payable and accrued liabilities              | 6,041                                                  | 1,057                     | 43,132                                                | 11,319                    |
| Amounts due to related parties                     | 26,648                                                 | 22,500                    | 104,333                                               | 67,500                    |
| <b>Net cash used in operating activities</b>       | <b>(361)</b>                                           | <b>(4,663)</b>            | <b>48,190</b>                                         | <b>(14,026)</b>           |
| <b>CASH FLOWS USED IN<br/>INVESTING ACTIVITIES</b> |                                                        |                           |                                                       |                           |
| Exploration and evaluation assets                  | (150)                                                  | (587)                     | (49,795)                                              | (2,222)                   |
| <b>Net cash provided in investing activities</b>   | <b>(150)</b>                                           | <b>(587)</b>              | <b>(49,795)</b>                                       | <b>(2,222)</b>            |
| <b>Increase in cash</b>                            | <b>(511)</b>                                           | <b>(5,250)</b>            | <b>(1,605)</b>                                        | <b>(16,248)</b>           |
| <b>Cash, beginning of period</b>                   | <b>596</b>                                             | <b>9,056</b>              | <b>1,690</b>                                          | <b>20,054</b>             |
| <b>Cash, end of period</b>                         | <b>85</b>                                              | <b>3,806</b>              | <b>85</b>                                             | <b>3,806</b>              |

The accompanying notes are an integral part of these financial statements

**FREEPORT RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED OCTOBER 31, 2016**  
(Expressed in Canadian Dollars)  
(Unaudited)

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Freeport Resources Inc. (the “Company”) is incorporated in British Columbia and is listed on the TSX Venture Exchange (“TSX-V”). The Company is a Canadian junior mineral exploration company with a diversified portfolio of exploration and evaluation assets in Newfoundland and Labrador (NL) and British Columbia (BC).

The Company’s head office, principal address and registered and records office are located at 8711 Elsmore Road, Richmond, B.C., V7C 2A4.

These financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at October 31, 2016, the Company had not advanced its properties to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and or private placement of common shares.

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

The financial statements were authorized for issue on December 9, 2016 by the directors of the Company.

***Statement of compliance and conversion to International Financial Reporting Standards***

The interim financial statements have been prepared in accordance to IAS 34 *Interim Financial Reporting* using accounting policies consistent with the International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

***Basis of preparation***

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

***Significant estimates and assumptions***

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company’s management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets and the recoverability and measurement of deferred tax assets.

**FREEPORT RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED OCTOBER 31, 2016**  
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(Unaudited)

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

***Significant judgments***

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the classification / allocation of expenditures as exploration and evaluation expenditures or operating expenses.

***Share-based payments***

The Company operates a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized 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 share-based payment reserve. The fair value of options is determined using a Black-Scholes pricing model. 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 eventually vest.

***Exploration and evaluation expenditures***

Costs incurred before the Company has obtained the legal rights to explore an area are expensed as incurred.

Exploration and evaluation expenditures include the costs of acquiring licenses and costs associated with exploration and evaluation activity. Option payments are considered acquisition costs provided that the Company has the intention of exercising the underlying option.

Property option agreements are exercisable entirely at the option of the optionee. Therefore, option payments (or recoveries) are recorded when payment is made (or received) and are not accrued.

Exploration and evaluation expenditures are capitalized. The Company capitalizes costs to specific blocks of claims or areas of geological interest. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are tested for impairment if facts or circumstances indicate that impairment exists. Examples of such facts and circumstances are as follows:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

After technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the Company stops capitalizing expenditures for the applicable block of claims or geological area of interest and tests the asset for impairment. The capitalized balance, net of any impairment recognized, is then reclassified to either tangible or intangible mine development assets according to the nature of the asset.

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

***Loss per share***

Basic loss per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. For all periods presented, the loss attributable to common shareholders equals the reported loss attributable to owners of the Company. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

***Financial instruments***

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the group commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

**FREEPORT RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

***Impairment of assets***

The carrying amount of the Company's assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss.

The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

***Income taxes***

**Current income tax:**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax:**

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is 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 tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**FREEPORT RESOURCES INC.**  
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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

***Income taxes (cont'd)***

Flow-through shares:

On the issuance of flow-through shares, any premium received in excess of the closing market price of the Company's common shares is initially recorded as a liability ("flow-through tax liability") and included in trade payables and accrued liabilities. Provided that the Company has renounced the related expenditures, or that there is a reasonable expectation that it will do so, the flow-through tax liability is reduced on a pro-rata basis as the expenditures are incurred and a deferred tax liability is recognized. The reduction to the flow-through tax liability is recognized in profit or loss as other income.

To the extent that the Company has suitable unrecognized deductible temporary differences, an offsetting recovery of deferred income taxes would be recorded.

***Equipment***

Equipment is stated at historical cost less accumulated amortization and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statements of comprehensive loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Amortization is calculated on the declining balance method to write off the cost of the assets to their residual values over their estimated useful lives. The amortization rates applicable are as follows:

| <b>Class of equipment</b> | <b>Amortization rate</b> |
|---------------------------|--------------------------|
| Computer equipment        | 20%                      |
| Office equipment          | 30%                      |

***Restoration and environmental obligations***

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the 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 restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

***Restoration and environmental obligations (cont'd)***

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 restoration 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 restoration 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 assets.

At present, the Company has not identified any significant restoration and environmental obligations. Accordingly, no provision has been made.

**3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. The Company is currently assessing the impact that these standards will have on the financial statements.

***New standard IFRS 9 "Financial Instruments"***

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

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**4. EXPLORATION AND EVALUATION ASSETS**

|                                          | Hutton<br>Property<br>NL, Canada<br>\$ | Red Rose<br>Mine<br>BC,<br>Canada<br>\$ | Q (Eaglet)<br>Property<br>BC, Canada<br>\$ | Spanish<br>Mountain<br>Gold<br>Property<br>BC, Canada<br>\$ | Tsirku-<br>Jarvis<br>Property<br>BC,<br>Canada<br>\$ | Total<br>\$ |
|------------------------------------------|----------------------------------------|-----------------------------------------|--------------------------------------------|-------------------------------------------------------------|------------------------------------------------------|-------------|
| <b>Acquisition costs:</b>                |                                        |                                         |                                            |                                                             |                                                      |             |
| Balance, January 31, 2016                |                                        |                                         |                                            |                                                             |                                                      |             |
| And October 31, 2016                     | -                                      | 15,000                                  | 1                                          | 1                                                           | -                                                    | 15,002      |
| <b>Exploration and evaluation costs:</b> |                                        |                                         |                                            |                                                             |                                                      |             |
| Balance, January 31, 2016                | 1,173,675                              | 8,100                                   | -                                          | -                                                           | 1                                                    | 1,181,776   |
| Additions:                               |                                        |                                         |                                            |                                                             |                                                      |             |
| Field expenditures                       | 44,295                                 | -                                       | 5,500                                      | -                                                           | -                                                    | 49,795      |
|                                          | 1,217,970                              | 8,100                                   | 5,500                                      | -                                                           | 1                                                    | 1,231,571   |
| Balance, October 31, 2016                | 1,217,970                              | 23,100                                  | 5,501                                      | 1                                                           | 1                                                    | 1,246,573   |

The Hutton Property is located in Northern Labrador, Canada and is an advanced stage garnet sand project. The Company acquired the property in 1997 and owns 100% of the interest in the property.

The Company owns 100% of the remaining properties and has no future commitments with respect to these properties.

During the year ended January 31, 2016, the Company determined that its future plans relating to certain of its exploration and evaluation assets as uncertain and therefore recorded an impairment of \$270,237 reducing the carrying value of those properties to their estimated fair value.

**5. TRADE PAYABLES AND ACCRUED LIABILITIES**

|                     | October 31, 2016<br>\$ | January 31, 2016<br>\$ |
|---------------------|------------------------|------------------------|
| Trade payables      | 63,375                 | 18,243                 |
| Accrued liabilities | 6,000                  | 8,000                  |
| Total               | 69,375                 | 26,243                 |

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**6. RELATED PARTIES TRANSACTIONS**

The following balances owing to directors, officers and companies controlled by the directors and officers as at January 31, 2016 and October 31, 2016 are unsecured, non-interest bearing. The following balances are due on June 1, 2017.

|                                                             | October 31, 2016 | January 31, 2016 |
|-------------------------------------------------------------|------------------|------------------|
|                                                             | \$               | \$               |
| Due to a company controlled by the President of the Company | 1,247,150        | 1,179,650        |
| Due to the President of the Company                         | 46,349           | 10,352           |
| Due to former directors of the Company                      | 234,679          | 233,843          |
|                                                             | 1,528,178        | 1,423,845        |

The Company had the following transactions with the President and director of the Company and key management personnel during the period ended October 31, 2016 and 2015.

|                 | October 31, 2016 | October 31, 2015 |
|-----------------|------------------|------------------|
|                 | \$               | \$               |
| Management fees | 67,500           | 67,500           |

**7. SHARE CAPITAL**

***Authorized share capital***

Unlimited common shares without par value.

***Stock options***

The Company has a stock option plan allowing for the granting of options to the Company's directors, officers, employees, consultants and other service providers. Under this plan, the exercise price shall be determined by the Board of Directors or its designated committee (collectively the "Committee") at the time the option is granted, provided the exercise price shall not be less than the market price less applicable discounts permitted by the TSX-V. All options granted shall vest in six equal installments over a period of 18 months, with the first installment vesting immediately and the remaining options vesting upon six months, nine months, one year, 15 months and 18 months after the date of grant. The option period shall be determined by the Committee at the time of the grant and may be up to ten years from the date of the grant.

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**7. SHARE CAPITAL (continued)**

There were no stock options outstanding as at October 31, 2016 and January 31, 2016.

***Share-based payment reserve***

Share-based payment reserve records the fair value of warrants and options issued for services until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

**8. CAPITAL MANAGEMENT**

The Company manages its capital structure which consists of working and share capital, and makes adjustments to it depending on the funds available to the Company for acquisition, exploration and development of exploration and evaluation assets. 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 exploration and evaluation assets in which the Company currently has interests are in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration and pay for on-going general and administrative expenses, the Company will use existing working capital and expects to raise additional amounts through related parties or private placements as needed. The Company will continue to assess new exploration and evaluation assets and seeks to acquire additional interests if sufficient geologic or economic potential is established and adequate financial resources are available.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the small size of the Company, is reasonable. The Company is not subject to externally imposed capital requirements and there were no significant changes in its approach to capital management during the period ended October 31, 2016.

**9. FINANCIAL RISK MANAGEMENT**

**Classification of financial instruments**

Financial assets included in the statement of financial position are as follows:

|                                      | October 31,<br>2016<br>\$ | January 31,<br>2016<br>\$ |
|--------------------------------------|---------------------------|---------------------------|
| Loans and receivables:               |                           |                           |
| Cash                                 | 85                        | 1,690                     |
| Available for sale financial assets: |                           |                           |
| Available-for-sale investment        | 300                       | 300                       |
|                                      | 385                       | 1,990                     |

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**9. FINANCIAL RISK MANAGEMENT (continued)**

Financial liabilities included in the statement of financial position are as follows:

|                                      | October 31,<br>2016<br>\$ | January 31,<br>2016<br>\$ |
|--------------------------------------|---------------------------|---------------------------|
| Non-derivative financial liabilities |                           |                           |
| Trade payables                       | 69,375                    | 26,243                    |
| Due to related parties               | 1,528,178                 | 1,423,845                 |
|                                      | 1,597,553                 | 1,450,088                 |

**Fair Value**

As at October 31, 2016, the Company's financial instruments consisted of cash, sales, available-for-sale investment, trade payables and amounts due to related parties. The fair values of cash, trade payables and amounts due to related parties approximate their carrying values because of their current nature.

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy as follows:

|                       | As at October 31, 2016 |               |               |
|-----------------------|------------------------|---------------|---------------|
|                       | Level 1<br>\$          | Level 2<br>\$ | Level 3<br>\$ |
| Cash                  | 85                     | -             | -             |
| Marketable securities | 300                    | -             | -             |
|                       | 385                    | -             | -             |
|                       |                        |               |               |
|                       | As at January 31, 2016 |               |               |
|                       | Level 1<br>\$          | Level 2<br>\$ | Level 3<br>\$ |
| Cash                  | 1,690                  | -             | -             |
| Marketable securities | 300                    | -             | -             |
|                       | 1,990                  | -             | -             |

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**9. FINANCIAL RISK MANAGEMENT (continued)**

The Company's financial instruments are exposed to a number of risks that are summarized below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The majority of cash is deposited in bank accounts held with one major bank in Canada so there is a concentration of credit risk. This risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the Company's functional currency. The Company only operates in Canada and is therefore not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rate. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash account is relatively small and unaffected by changes in short term interest rates.

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 has a planning and budgeting processing place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company attempts to ensure there is sufficient access to funds to meet on-going business requirements, taking into account its current cash position and potential funding sources. Liquidity risk is assessed as high.

Price risk

The Company is exposed to price risk with respect to equity price since the Company possess investments in publicly traded securities. The Company's maximum exposure to risk on its available-for-sale investment is \$300.