

**NOBLE METAL GROUP INCORPORATED**

**Interim Financial Statements**

**June 30, 2017**

**(Expressed in Canadian Dollars)**

**NOBLE METAL GROUP INCORPORATED**

**Index to Interim Financial Statements**

**June 30, 2017**

**(Expressed in Canadian Dollars)**

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## Management's Responsibility for Financial Reporting

The accompanying unaudited interim financial statements of Noble Metal Group Incorporated (the "Company") as at June 30, 2017 and for the three and nine months then ended have been prepared by and is the responsibility of the Company's management. In accordance with National Instrument 51 – 102, the Company discloses that its auditors have not reviewed the accompanying interim financial statements as at June 30, 2017 and for the three and nine months then ended.

The financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the financial position date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 – Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

*"Dorothy Dennis"*

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Director

*"Scott Thomson"*

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Director

**NOBLE METAL GROUP INCORPORATED**  
**INTERIM STATEMENTS OF FINANCIAL POSITION**  
*(Expressed in Canadian Dollars)*  
*(Unaudited)*

	<i>June 30,</i>	<i>December 31,</i>
	<i>2017</i>	<i>2016</i>
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 1,684	\$ 396
Sales tax recoverable	190	1,456
Prepaid expense	-	1,400
Investments	1	1
<b>Total current assets</b>	<b>1,875</b>	<b>3,253</b>
Reclamation deposits	40,004	40,004
Property, plant and equipment (Note 4)	48,522	51,848
Exploration and evaluation assets (Note 5)	10,649,993	10,644,244
<b>TOTAL ASSETS</b>	<b>\$ 10,740,394</b>	<b>\$ 10,739,349</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 298,409	\$ 313,409
Directors' and shareholders' loans (Note 6)	1,275,415	1,272,502
Due to a related party (Note 6)	-	10,553
Gold contracts payable, current (Notes 6 and 7)	2,018,788	1,948,229
<b>Total current liabilities</b>	<b>3,592,612</b>	<b>3,544,693</b>
Gold contracts payable (Notes 6 and 7)	4,968,020	4,794,382
<b>Total liabilities</b>	<b>8,560,632</b>	<b>8,339,075</b>
<b>Shareholders' Equity</b>		
Share capital (Note 8)	14,911,601	14,911,601
Contributed surplus	1,540,640	1,540,640
Accumulated other comprehensive loss	(491)	(491)
Deficit	(14,271,988)	(14,051,476)
<b>Total shareholders' equity</b>	<b>2,179,762</b>	<b>2,400,274</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 10,740,394</b>	<b>\$ 10,739,349</b>

Approved and authorized by the Board on August 28, 2017

"Dorothy Dennis" Director

"Scott Thomson" Director

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

**NOBLE METAL GROUP INCORPORATED**  
**INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
*(Expressed in Canadian Dollars)*  
*(Unaudited)*

	<i>Three Months</i>	<i>Three Months</i>	<i>Six Months</i>	<i>Six Months</i>
	<i>Ended</i>	<i>Ended</i>	<i>Ended</i>	<i>Ended</i>
	<i>June 30,</i>	<i>June 30,</i>	<i>June 30,</i>	<i>June 30,</i>
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<b>Administrative expenses</b>				
Automobile and travel	\$ 347	\$ 444	\$ 569	\$ 636
Bank charges and interest	1,106	1,120	2,138	2,099
Depreciation	215	-	211	536
Office facilities, services and supplies	1,046	1,148	2,330	4,021
Professional fees	-	4,212	2,049	10,961
Public relations and printing	54	108	54	152
Transfer agent, filing and exchange fees	2,020	5,030	8,254	11,172
	(4,788)	(12,062)	(15,605)	(29,577)
<b>Other income (expenses)</b>				
(Loss) gain on foreign exchange	39,288	(222)	39,290	8,385
Unrealized (loss) gain on gold contracts payable (Note 7)	173,356	(522,236)	(244,197)	(343,701)
<b>Net (loss) income for the period</b>	207,856	(534,520)	(220,512)	(364,893)
<b>Comprehensive (loss) income for the period</b>	\$ 207,856	\$ (534,520)	\$ (220,512)	\$ (364,893)
<b>Basic and diluted (loss) income per share</b>	\$ 0.01	\$ (0.01)	\$ (0.01)	\$ (0.01)
<b>Weighted average number of shares outstanding</b>				
<b>Basic and diluted</b>	74,342,631	74,342,631	74,342,631	74,342,631

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

**NOBLE METAL GROUP INCORPORATED**  
**INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
*(Expressed in Canadian Dollars)*  
*(Unaudited)*

	<i>Common shares</i>				<i>Accumulated Other Comprehen sive Income (loss)</i>				<i>Shareholders' Equity</i>
	<i>Number</i>	<i>Amount</i>	<i>Contributed Surplus</i>			<i>Deficit</i>			
<b>Balance at December 31, 2015</b>	74,342,631	\$ 14,911,601	\$ 1,540,640	\$	(491)	\$ (13,215,390)	\$		\$ 3,236,360
Net income for the period	-	-	-	-	-	(364,893)			(364,893)
<b>Balance at June 30, 2016</b>	74,342,631	\$ 14,911,601	\$ 1,540,640	\$	(491)	\$ (13,580,283)	\$		\$ 2,871,467
Net loss for the period	-	-	-	-	-	(471,193)			(471,193)
<b>Balance at December 31, 2016</b>	74,342,631	\$ 14,911,601	\$ 1,540,640	\$	(491)	\$ (14,051,476)	\$		\$ 2,400,274
Net loss for the period	-	-	-	-	-	(220,512)	\$		(220,512)
<b>Balance at June 30, 2017</b>	74,342,631	\$ 14,911,601	\$ 1,540,640	\$	(491)	\$ (14,271,988)	\$		\$ 2,179,762

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

**NOBLE METAL GROUP INCORPORATED**  
**STATEMENTS OF CASH FLOWS**  
*(Expressed in Canadian Dollars)*

	<i>Six Months Ended June 30, 2017</i>	<i>Six Months Ended June 30, 2016</i>
<b>Cash flows from operating activities</b>		
Net income (loss) for the period	\$ (220,512)	\$ (364,893)
Less: Items not affecting cash		
Depreciation	211	536
Unrealized foreign exchange gain	(39,290)	(8,385)
Unrealized loss on gold contracts payable	244,197	343,701
Changes in non-cash working capital		
Sales tax recoverable	1,266	1,174
Prepaid expenses	1,400	1,500
Accounts payable and accrued liabilities	(15,000)	15,317
<b>Total cash used by operating activities</b>	<b>(27,728)</b>	<b>(11,050)</b>
<b>Cash flows from investing activities</b>		
Mineral and deferred exploration expenditures	(2,634)	(6,203)
<b>Total cash used in investing activities</b>	<b>(2,634)</b>	<b>(6,203)</b>
<b>Cash flows from financing activities</b>		
Increase in directors and shareholder loans	31,650	15,251
<b>Total cash provided by financing activities</b>	<b>31,650</b>	<b>15,251</b>
<b>Total decrease in cash during the period</b>	<b>1,288</b>	<b>(2,002)</b>
<b>Cash, beginning of the period</b>	<b>396</b>	<b>2,774</b>
<b>Cash, end of the period</b>	<b>\$ 1,684</b>	<b>\$ 772</b>

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

**NOBLE METAL GROUP INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Expressed in Canadian Dollars)*  
*(Unaudited)*  
**June 30, 2017**

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**1. CORPORATE INFORMATION**

Noble Metal Group Incorporated (“NMG” or the “Company”) is a junior resource public company incorporated under the laws of the province of British Columbia, Canada. The Company’s shares are listed on the TSX Venture Exchange (“TSX.V”) under the trading symbol “NMG”. Its principal business activity is the exploration and development of mineral properties.

The Company’s registered office is located at PO Box 1145, Vedder Crossing 1, Chilliwack, British Columbia, Canada V2R 3N7.

The financial statements of the Company are presented in Canadian dollars, which is the functional currency of the Company, unless otherwise noted.

**2. BASIS OF PREPARATION**

a) Statement of Compliance

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

The unaudited interim financial statements were authorized for issue by the Board of Directors on May 30, 2017.

b) Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss and available for sale, which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

c) Going Concern of Operations

The Company has incurred a net loss of \$220,512 for the six months ended June 30, 2017 (for the year ended December 31, 2016 - net loss of \$836,086), and has an accumulated deficit of \$14,271,988 (December 31, 2016 - \$14,051,476) and working capital deficiency of \$3,590,767 (December 31, 2016- \$3,590,737) as at June 30, 2017. As of June 30, 2017, the Company has current liabilities due to mature within the next twelve months in the amount of \$3,592,612 (December 31, 2016 - \$3,544,693). As of June 30, 2017, the Company has cash in the amount of \$1,684 (December 31, 2016 - \$396). These financial statements have been prepared on a going concern basis which assumes the Company will continue operating for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to enter extension agreements with the gold contract holders, to raise adequate financing and to develop profitable operations. The Company may not have sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. As a result, there is a material uncertainty that may cast doubt about the Company’s ability to continue as a going concern.

These statements do not reflect adjustments to carrying values and classifications of the assets and liabilities that might be necessary should the Company be unable to continue realizing its assets and discharging its liabilities in the normal course of business.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

These unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Company's most recently completed year ended December 31, 2016. These statements do not include all disclosures required in annual financial statements but rather are prepared in accordance with recommendations for interim financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These statements follow the same accounting policies and methods of their application as those followed in the December 31, 2016 financial statements.

#### **New and Revised IFRS Issued but Not Effective**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below except those which the Company does not expect any impacts on the financial statements.

#### **IFRS 9 Financial Instruments ("IFRS 9")**

IFRS 9, Financial Instruments, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9, Financial Instruments, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. The standard is effective for accounting periods beginning after January 1, 2018. The Company has not yet assessed the impact of this standard or determined whether it will adopt the standard early.

#### **IFRS 15, Revenue from Contracts with Customers ("IFRS 15")**

In May 2014, the IASB issued this standard which is effective for periods beginning on or after January 1, 2018 and is to be applied retrospectively or a modified retrospective approach. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will also result in enhanced disclosures for revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improve guidance for multiple-element arrangements. The Company has not yet determined the effect of adoption of IFRS 15 on its financial statements.

#### **IFRS 16, Leases ("IFRS 16")**

In January 2016, the IASB issued this standard which is effective for periods beginning on or after January 1, 2019, which replaces the current guidance in IAS 17, Leases, and is to be applied either retrospectively or a modified retrospective approach. Early adoption is permitted, but only in conjunction with IFRS 15, Revenue from Contracts with Customers. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflective of future lease payments and a 'right-of-use asset' for virtually all lease contracts. The Company has not yet determined the effect of adoption of IFRS 16 on its consolidated financial statements.

**NOBLE METAL GROUP INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
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*(Unaudited)*  
**June 30, 2017**

**4. PROPERTY, PLANT AND EQUIPMENT**

<b>Cost</b>	<b>Mining plant and equipment</b>	<b>Office equipment</b>	<b>Total</b>
December 31, 2016	543,600	23,012	566,612
June 30, 2017	543,600	23,012	566,612
<b>Accumulated Depreciation</b>	<b>Mining plant and equipment</b>	<b>Office equipment</b>	<b>Total</b>
December 31, 2016	493,880	20,884	514,764
Depreciation	3,115	211	3,326
June 30, 2017	496,995	21,095	518,090
<b>Net Book value as at June 30, 2017</b>	<b>46,605</b>	<b>1,917</b>	<b>48,522</b>
<b>Cost</b>	<b>Mining plant and equipment</b>	<b>Office equipment</b>	<b>Total</b>
December 31, 2015	543,569	23,012	566,581
Additions	31	-	31
December 31, 2016	543,600	23,012	566,612
<b>Accumulated Depreciation</b>	<b>Mining plant and equipment</b>	<b>Office equipment</b>	<b>Total</b>
December 31, 2015	486,610	20,348	506,958
Depreciation	7,270	536	7,806
December 31, 2016	493,880	20,884	514,764
<b>Net Book value as at December 31, 2016</b>	<b>49,720</b>	<b>2,128</b>	<b>51,848</b>

**NOBLE METAL GROUP INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Expressed in Canadian Dollars)*  
*(Unaudited)*  
**June 30, 2017**

**5. EXPLORATION AND EVALUATION ASSETS**

	<i>December 31,</i>			<i>December 31,</i>		<i>June 30,</i>
	<i>2015</i>	<i>Additions</i>	<i>Recovery</i>	<i>2016</i>	<i>Additions</i>	<i>2017</i>
a) Placer Mining Properties, Cariboo Mining Division, British Columbia						
Acquisition	1,028,229	\$ -	\$ -	\$1,028,229	\$ -	1,028,229
Exploration	3,060,929	-	-	3,060,929	-	3,060,929
	<u>4,089,158</u>	<u>-</u>	<u>-</u>	<u>4,089,158</u>	<u>-</u>	<u>4,089,158</u>
b) Cariboo Mineral Claims, Cariboo Mining Division, British Columbia						
Acquisition	3,027	-	-	3,027	-	3,027
Exploration	6,496,060	109,439	(53,440)	6,552,059	5,749	6,557,808
	<u>6,499,087</u>	<u>109,439</u>	<u>(53,440)</u>	<u>6,555,086</u>	<u>5,749</u>	<u>6,560,835</u>
Total	<u>10,588,245</u>	<u>\$109,439</u>	<u>\$(53,440)</u>	<u>\$10,644,244</u>	<u>\$5,749</u>	<u>10,654,993</u>

The Cariboo mineral claims and placer mining leases are controlled 100% by the Company and are contiguous.

**SCHEDULE OF EXPLORATION AND EVALUATION ADDITIONS**

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
<b>Exploration and evaluation costs additions breakdown:</b>		
Amortization	\$3,115	\$7,271
Camp communications	516	1,461
Contractors	-	58,000
Equipment repairs and maintenance	153	5,108
Fuel	165	15,544
Geological and geophysical	280	6,196
Insurance	-	530
Labor and supervision	500	16,088
Operating and camp supplies	955	(7,689)
Permits, licenses and fees	-	4,727
Travel and vehicle rental	65	2,351
Total exploration and evaluation costs additions	<u>\$5,749</u>	<u>\$109,587</u>

**NOBLE METAL GROUP INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
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**6. RELATED PARTY TRANSACTIONS**

Related party transactions and balances not disclosed elsewhere in these financial statements are as follows:

	<i>June 30,</i> <i>2017</i>	<i>December 31,</i> <i>2016</i>
a) Directors and former director loans, bearing no interest	\$ 1,225,501	1,094,846
All amounts due to related parties are unsecured and have no specified terms of repayment.		
b) Gold contracts payable to directors (Note 7)	\$ 4,602,613	\$ 3,756,786
c) Amounts paid or accrued to directors, officers and shareholders of the Company for exploration consulting and administrative fees		
i) Included in consulting fees and salaries	\$ -	\$ -
i) Included in exploration and evaluation assets	\$ -	\$ 16,800

The above transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**7. GOLD CONTRACTS PAYABLE**

At June 30, 2017, the Company has outstanding agreements to deliver 5,089 troy ounces of raw gold (December 31, 2016 – 5,089 troy ounces) in consideration for unsecured advances. These payable amounts arose per the following.

During the year ended December 31, 2016, the Company entered into additional gold purchase contracts to deliver 44 troy ounces of raw gold in consideration for unsecured advance of US\$40,544. The 44 troy ounces of raw gold are to be delivered on or before November 1, 2021. Prior to delivery of the raw gold by the Company the contract holders may instruct the Company to exchange the raw gold for the equivalent in US dollars, less conversion cost.

During the year ended December 31, 2016, the Company signed extension agreement without penalty with the contract holders to defer the delivery of 3,023.50 ounces to November 1, 2021. The Company further extinguished gold purchase contracts of 16 ounces by way of cash payment of \$22,000.

These liabilities have been recorded in the accounts based on the current value of gold discounted as specified in the gold contracts. The actual gains or losses on settlement will be determined upon delivery of the raw gold or cash to the contract holders.

	<i>June 30,</i> <i>2017</i>	<i>December 31,</i> <i>2016</i>
Total troy ounces of raw gold	5,089	5,089
Effective interest rate	5.25%	5.25%
<b>Gold contracts payable</b>		
Current	\$ 2,018,788	\$ 1,948,229
Long-term	4,968,020	4,749,382
<b>Total</b>	<b>\$ 6,986,808</b>	<b>\$ 6,742,611</b>

The Company recorded an unrealized loss of \$244,197 on gold contracts payable during the six months ended June 30, 2017 (a loss for the year ended December 31, 2016 of \$736,177).

**NOBLE METAL GROUP INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Expressed in Canadian Dollars)*  
*(Unaudited)*  
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**8. SHARE CAPITAL**

- a) **Authorized:** 100,000,000 of common shares – without par value.
- b) **Financings:** During the periods ended June 30, 2017 and December 31, 2016, no shares were issued.
- c) **Warrants:** During the periods ended June 30, 2017 and December 31, 2016, no shares were issued.
- d) **Stock options**

The Company's 2014 rolling stock option plan provides for the grant of incentive stock options for up to 10% of the number of common shares issued and outstanding. Participants may be employees, consultants, directors and officers of the company. Options can be granted for a term of up to five years from the date of grant. Stock options granted generally vest over a period of four months from the date of grant.

The Company measures compensation costs relating to stock options granted to employees and non-employees using the fair value based method. Under this method, the compensation costs are determined based on the fair value of the options at the date granted using the Black-Scholes option-pricing model.

As at June 30, 2017 and December 31, 2016 no stock options were issued or outstanding.

**9. FINANCIAL INSTRUMENTS**

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its resource properties and to maintain flexible capital structure for its projects for the benefit of its stakeholders. In management of capital, the Company includes the components of shareholders' equity as well as cash, receivables and current liabilities.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash. The Company does not have any major capital expenditures committed for the current year. Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met. The Company's capital management objectives, policies and processes have remained unchanged during the six months ended June 30, 2017.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2017, the Company has cash balances of \$1,684 (December 31, 2016 - \$396) to settle accounts payable and accrued liabilities of \$298,409 (December 31, 2016 - \$313,409). The Company currently does not have sufficient funds to sustain operations. The Company will need additional funding to meet working capital and mineral property requirements.

**NOBLE METAL GROUP INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
*(Expressed in Canadian Dollars)*  
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**9. FINANCIAL INSTRUMENTS (Continued)**

Market risk

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

- Interest rate risk

The Company's credit facilities are comprised of gold contracts payable, short-term debts and as such, the Company may be exposed to interest rate risk. The Company mitigates the risk by fixing the interest rates of the gold contracts payable and the interest rates on the short-term debts upon the inception of the debt. The Company believed it has no significant interest rate risk.

- Foreign currency risk

As at June 30, 2017, the Company's expenditures are primarily in Canadian dollars and any future equity raised is expected to be predominantly in Canadian dollars. The Company believes it has no significant foreign exchange rate risk.

- Commodity price risk

The fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market prices. Profitability of the Company depends on metal prices for gold. Gold price is affected by numerous factors such as the sale or purchase of gold by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuations in the value of the United States dollar and other foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world.

As part of the Company's gold contract payable financing, the Company has commitments for future delivery of 5,089 troy ounces (December 31, 2016 – 5,089 troy ounces) of raw gold in consideration for unsecured advances.

The carrying values of the Company's gold contracts payable are subject to increase or decrease depending on the price of gold and the exchange rate between the Canadian and US dollar and could have a significant impact on earnings. A \$100 US change per ounce in the price of gold as at June 30, 2017, would have resulted in an approximate \$421,000 decrease or increase in the Company's pre-tax earnings for the period. This impact would have no effect on cash flows until the requirement of the Company to deliver the underlying commodity (gold) falls due.

Fair value hierarchy

Financial instruments recorded at fair value are measured using a three-level fair value hierarchy:

Level 1	Fair value is determined by reference to quoted prices in active markets for identical assets and liabilities
Level 2	Fair value is determined based on inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly
Level 3	Fair value is determined based on inputs that are unobservable and significant to the overall fair value measurement

**10. SUBSEQUENT EVENTS**

There were no significant events subsequent to June 30, 2017.