

Financial Statements of

SILVER PURSUIT RESOURCES LTD.

Years Ended September 30, 2016 and 2015

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Silver Pursuit Resources Ltd.

We have audited the accompanying financial statements of Silver Pursuit Resources Ltd., which comprise the statements of financial position as at September 30, 2016 and 2015, and the statements of operations and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also involves evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Silver Pursuit Resources Ltd. as at September 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 of the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Silver Pursuit Resources Ltd. to continue as a going concern.



Saturna Group Chartered Professional Accountants LLP

Vancouver, Canada

January 30, 2017

SILVER PURSUIT RESOURCES LTD.

Statements of Financial Position
(Expressed in Canadian dollars)

	September 30, 2016 \$	September 30, 2015 \$
Assets		
Current assets		
Cash	39,610	27,401
Amounts receivable	2,550	3,139
Total current assets	42,160	30,540
Non-current assets		
Property and equipment (Note 3)	19,479	–
Mineral properties (Note 4)	20,524	–
Total non-current assets	40,003	–
Total assets	82,163	30,540
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	12,582	20,746
Due to related parties (Note 5)	95,505	18,368
Total liabilities	108,087	39,114
Shareholders' deficit		
Share capital	11,608,200	11,454,856
Share-based payment reserve	4,924,267	4,812,111
Deficit	(16,558,391)	(16,275,541)
Total shareholders' deficit	(25,924)	(8,574)
Total liabilities and shareholders' deficit	82,163	30,540

Nature of operations and continuance of business (Note 1)

Subsequent event (Note 12)

Approved and authorized for issuance by the Board of Directors on January 30, 2017:

/s/ "Brian McClay"
Director

/s/ "Peter Watson"
Director

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

SILVER PURSUIT RESOURCES LTD.

Statements of Operations and Comprehensive Loss
(Expressed in Canadian dollars)

	Year ended September 30, 2016 \$	Year ended September 30, 2015 \$
Expenses		
Automotive (Note 5)	12,000	—
Consulting fees (Note 5)	20,415	2,250
Depreciation	3,141	—
Foreign exchange loss	873	2,315
Management fees (Note 5)	32,000	—
Mineral exploration costs (Note 4)	90,682	—
Office and general (Note 5)	26,413	4,028
Professional fees	24,277	24,659
Rent (Note 5)	9,000	10,950
Shareholder communications	1,332	2,496
Transfer agent and filing fees	21,137	25,868
Travel	41,580	—
Loss before other income	(282,850)	(72,566)
Other income		
Write-off of accounts payable	—	3,398
Net loss and comprehensive loss	(282,850)	(69,168)
Loss per share, basic and diluted	(0.02)	(0.01)
Weighted average number of common shares outstanding	17,318,201	11,021,912

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

SILVER PURSUIT RESOURCES LTD.

Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share capital Common shares		Share-based payment reserve	Deficit	Total shareholders' deficit
	Shares #	Amount \$	\$	\$	\$
Balance, September 30, 2014	11,504,103	11,393,372	4,764,655	(16,206,373)	(48,346)
Shares issued pursuant to private placements	2,260,000	68,060	44,940	—	113,000
Share issuance costs	—	(6,576)	2,516	—	(4,060)
Net loss for the year	—	—	—	(69,168)	(69,168)
Balance, September 30, 2015	13,764,103	11,454,856	4,812,111	(16,275,541)	(8,574)
Shares issued pursuant to private placements	7,700,000	183,617	98,883	—	282,500
Share issuance costs	—	(30,273)	13,273	—	(17,000)
Net loss for the year	—	—	—	(282,850)	(282,850)
Balance, September 30, 2016	21,464,103	11,608,200	4,924,267	(16,558,391)	(25,924)

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

SILVER PURSUIT RESOURCES LTD.

Statements of Cash Flows
(Expressed in Canadian dollars)

	Year ended September 30, 2016 \$	Year ended September 30, 2015 \$
Operating activities:		
Net loss	(282,850)	(69,168)
Items not affecting cash:		
Depreciation	3,141	—
Write-off of accounts payable	—	(3,398)
Changes in non-cash working capital:		
Amounts receivable	589	(126)
Accounts payable and accrued liabilities	(8,164)	(3,329)
Due to related parties	77,137	(6,502)
Net cash used in operating activities	(210,147)	(82,523)
Investing activities:		
Mineral property acquisition costs	(20,524)	—
Purchase of property and equipment	(22,620)	—
Net cash used in investing activities	(43,144)	—
Financing activities:		
Proceeds from issuance of common shares	282,500	113,000
Share issuance costs	(17,000)	(4,060)
Net cash provided by financing activities	265,500	108,940
Increase in cash	12,209	26,417
Cash, beginning of year	27,401	984
Cash, end of year	39,610	27,401
Supplemental disclosures:		
Interest paid	—	—
Income taxes paid	—	—

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

SILVER PURSUIT RESOURCES LTD.

Notes to the Financial Statements
September 30, 2016
(Expressed in Canadian Dollars)

1. Nature of Business and Continuance of Operations

Silver Pursuit Resources Ltd. (the "Company") is incorporated under the Business Corporations Act (British Columbia) and its principal business activity is the exploration of mineral property reserves for commercially viable mineral reserves. The Company currently holds mineral properties in Canada and the United States. The Company's registered office is located at 652 Millbank, Vancouver, British Columbia, V5Z 4B7.

These financial statements have been prepared on a going concern basis which assumes that the Company will realize the carrying value of its assets and discharge its liabilities in the normal course of business. As at September 30, 2016, the Company has no source of revenue, has a working capital deficit of \$65,927, and has an accumulated deficit of \$16,558,391. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is pursuing 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 factors indicate the existence of a material uncertainty that may cast doubt on the Company's ability to continue as a going concern. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Significant Accounting Policies

(a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Standards Board ("IASB").

(b) Basis of Measurement

These financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the functional currency of the Company.

(c) Use of Estimates and Judgments

The preparation of these financial statements in conformity with IFRS requires the Company's management to make judgments, estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. Significant areas requiring the use of estimates include the fair value of share-based payments, useful lives and recoverability of property and equipment, recoverability of mineral properties, and unrecognized deferred income tax assets.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the inputs used in the accounting for share-based payments, which requires management to determine factors that may impact the overall fair value of share-based payments including, but not limited to, the expected life of share purchase warrants.

The application of the Company's accounting policy for mineral properties requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the statement of operations in the period when the new information becomes available.

SILVER PURSUIT RESOURCES LTD.

Notes to the Financial Statements
September 30, 2016
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(c) Use of Estimates and Judgments (continued)

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

(d) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance, are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value to be cash equivalents.

(e) Foreign Currency Translation

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign currency gains and losses arising from translation are included in the statement of operations.

(f) Property and Equipment

Property and equipment is recorded at cost. The Company depreciates the cost of property and equipment over their estimated useful lives at the following annual rates using the straight-line method:

Vehicles	30%
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Residual values and useful economic lives are reviewed at least annually, and adjusted if appropriate, at each reporting date. Subsequent expenditure relating to an item of property and equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance expenses during the period in which they are incurred.

(g) Mineral Properties

(i) Mineral Property Costs

All costs directly related to the acquisition of mineral properties are recognized and capitalized once the legal right to explore a property has been acquired. When a project is deemed to no longer have commercially viable prospects to the Company, capitalized expenditures in respect of that project are deemed to be impaired. As a result, those expenditures, in excess of estimated recoveries, are written-off to the statement of operations. As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized costs.

(ii) Exploration and Evaluation Expenditures

Exploration and evaluation expenditures, including costs incurred prior to the Company obtaining legal rights to explore a property, are expensed in the period in which they occur. Such expenditures continue to be expensed until commercially viable and technically feasible mineral resources are established and management has made a decision to proceed with development of the property for mining operations. At this point, costs, including costs incurred in preparing the site for mining operations, are capitalized into development costs in the statement of financial position. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs which give rise to a future benefit. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development costs.

SILVER PURSUIT RESOURCES LTD.

Notes to the Financial Statements
September 30, 2016
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(h) Impairment of Non-Financial Assets

At each reporting period, the Company assesses whether there are indicators of impairment for its non-financial assets, including mineral properties and equipment. If indicators exist, the Company determines if the recoverable amount of the asset is greater than its carrying amount. If the carrying amount exceeds the recoverable amount, the asset is recorded at its recoverable amount with the reduction recognized in the statement of operations. The recoverable amount is the greater of the value in use or fair value less costs to sell. Fair value is the amount the asset could be sold for in an arm's length transaction. The value in use is the present value of the estimated future cash flows of the asset from its continued use. The fair value less costs to sell considers the continued development of a property and market transactions in a valuation model.

Impairments are reversed in subsequent periods when there has been an increase in the recoverable amount of a previously impaired asset and these reversals are recognized in the statement of operations. The recovery is limited to the original carrying amount less depreciation, if any, that would have been recorded had the asset not been impaired.

(i) Other Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(j) Loss per Share

Basic earnings (loss) per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period. Diluted earnings (loss) per share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. As at September 30, 2016, the Company had 11,461,200 (2015 - 5,487,783) potentially dilutive shares outstanding.

(k) Financial Instruments

The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities, and amounts due to related parties.

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

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

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

- Financial assets at fair value through profit or loss: Financial assets are classified as fair value through profit or loss when the financial asset is held for trading or it is designated as fair value through profit or loss. A financial asset is classified as held for trading if: (i) it has been acquired principally for the purpose of selling in the near future; (ii) it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit taking; or (iii) it is a derivative that is not designated and effective as a hedging instrument. Financial assets classified as fair value through profit or loss are stated at fair value with any gain or loss recognized in the statement of operations. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company's cash is classified as fair value through profit or loss.

SILVER PURSUIT RESOURCES LTD.

Notes to the Financial Statements
September 30, 2016
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(k) Financial Instruments (continued)

- **Loans and receivables:** Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses. The Company has classified amounts receivable as loans and receivables.
- **Financial liabilities at amortized cost:** Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred, and comprise accounts payable and accrued liabilities. These liabilities are initially recognized on the trade date at fair value when the Company becomes a party to the contractual provisions of the instrument and are subsequently carried at amortized cost using the effective interest rate method. The liabilities are derecognized when the Company's contractual obligations are discharged or cancelled or, they expire. The Company has classified accounts payable and accrued liabilities, and amounts due to related parties as other financial liabilities.

(l) Impairment of Financial Assets

At each reporting date, the Company assesses whether there is any objective evidence that a financial asset is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset.

(m) Share Capital

(i) Unit Offerings

The Company has adopted the relative fair value method with respect to the measurement of shares and warrants issued as equity units. The relative fair value method requires an allocation of the net proceeds received based on the pro rata relative fair values of the components. If and when the warrants are ultimately exercised, the applicable amounts are transferred from share-based payment reserve to share capital. If the warrants expire unexercised, the applicable amount remains in share-based payment reserve.

(ii) Flow-through Shares

The Company will, from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability; and ii) share capital. Upon expenses being incurred, the Company derecognizes the liability which is recognized as other income.

(n) Share-based Payments

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. Expected volatility is estimated by considering historic average share price volatility.

SILVER PURSUIT RESOURCES LTD.

Notes to the Financial Statements
September 30, 2016
(Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

(n) Share-based Payments (continued)

Where equity instruments are granted to parties other than employees, they are recorded by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service.

All equity-settled share-based payments are reflected in share-based payment reserve, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve is credited to share capital, adjusted for any consideration paid.

(o) Income Taxes

Income tax expense is comprised of current and deferred income tax. Current and deferred income tax are recognized in the statement of operations except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or recoverable on taxable income or loss for the current year and any adjustments to income tax payable in respect of previous years. Current income taxes are determined using tax rates and laws that have been enacted or substantively enacted by the year-end date.

Deferred income tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets or liabilities for financial reporting purposes and amounts used for taxation purposes, except for the taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred income tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred income tax asset can be utilized. At the end of each reporting period, the Company re-assesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred income tax asset to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

(p) Accounting Standards Issued But Not Yet Effective

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended September 30, 2016, and have not been applied in preparing these financial statements.

New standard IFRS 9, "Financial Instruments"

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on the financial statements.

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.

SILVER PURSUIT RESOURCES LTD.

Notes to the Financial Statements
September 30, 2016
(Expressed in Canadian Dollars)

3. Property and Equipment

	Vehicles \$
Cost:	
Balance, September 30, 2014 and 2015	—
Additions	22,620
Balance, September 30, 2016	22,620
Accumulated depreciation:	
Balance, September 30, 2014 and 2015	—
Additions	3,141
Balance, September 30, 2016	3,141
Carrying amounts:	
As at September 30, 2015	—
As at September 30, 2016	19,479

4. Mineral Properties

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has investigated rights of ownership of all of the mineral concessions in which it has an interest and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, this should not be construed as a guarantee of title. The concessions may be subject to prior claims, agreements, or transfers, and rights of ownership may be affected by undetected defects.

Nevada Claims, Nevada, USA

During the year ended September 30, 2016, the Company staked 98 claims across seven counties in Nevada, USA. The Company capitalized \$20,524 of acquisition costs in connection with its Nevada claims.

Gordon Lake Property, NWT, Canada

As at September 30, 2016, the Company owns a mineral lease for its Gordon Lake Property. The Company expenses all amounts paid to maintain the ownership of the mineral lease.

Mineral exploration costs consist of:

	Year ended September 30, 2016 \$	Year ended September 30, 2015 \$
Camp supplies	3,246	—
Geological and geophysical	24,322	—
Prospecting, staking and filing fees	37,881	—
Travel, accommodation and meals	25,233	—
	90,682	—

SILVER PURSUIT RESOURCES LTD.

Notes to the Financial Statements
September 30, 2016
(Expressed in Canadian Dollars)

5. Related Party Transactions

- (a) As at September 30, 2016, the Company owed \$1,173 (2015 – \$1,173) to the former President of the Company which is unsecured, non-interest bearing, and due on demand.
- (b) As at September 30, 2016, the Company owed \$33,104 (2015 – \$5,632) to the President of the Company which is unsecured, non-interest bearing, and due on demand.
- (c) As at September 30, 2016, the Company owed \$11,563 (US\$8,664) (2015 – \$11,563 (US\$8,664) to a company controlled by the former President of the Company which is unsecured, non-interest bearing, and due on demand.
- (d) As at September 30, 2016, the Company owed \$49,665 (2015 – \$nil) to a company owned by the daughter of the President of the Company which is unsecured, non-interest bearing, and due on demand.
- (e) During the year ended September 30, 2016, the Company incurred management fees of \$32,000 (2015 - \$nil), consulting fees of \$nil (2015 - \$2,250), office expenses of \$1,800 (2015 - \$nil), automotive expenses of \$12,000 (2015 - \$nil), and rent of \$9,000 (2015 - \$10,950) to a company owned by the daughter of the President of the Company.

6. Share Capital

Authorized: Unlimited number of common shares with no par value
Unlimited number of preferred shares with no par value

Share transactions for the year ended September 30, 2016:

- (a) On March 10, 2016, the Company issued 4,100,000 units pursuant to a non-brokered private placement at a price of \$0.025 per unit for proceeds of \$102,500. Included in this issuance is 1,000,000 units for proceeds of \$25,000 issued to a company owned by the daughter of the President of the Company. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to subscribe for one common share at \$0.05 per share until March 10, 2018. In connection with this private placement, the Company paid finder's fees of \$4,300 and issued 168,000 agent's warrants with a fair value of \$3,345, which has been included in share-based payment reserve.

The fair value of the share purchase warrants and agent's warrants issued in connection with the above private placement was \$37,403. The fair value of the share purchase warrants was calculated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 0.55%, expected life of 2 years, expected volatility of 106%, and no expected dividends.

- (b) On May 24, 2016, the Company issued 3,600,000 units pursuant to a non-brokered private placement at a price of \$0.05 per unit for proceeds of \$180,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to subscribe for one common share at \$0.08 per share until May 24, 2018. In connection with this private placement, the Company paid finder's fees of \$12,700 and issued 252,000 agent's warrants with a fair value of \$9,928, which has been included in share-based payment reserve.

The fair value of the share purchase warrants and agent's warrants issued in connection with the above private placement was \$74,753. The fair value of the share purchase warrants was calculated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 0.62%, expected life of 2 years, expected volatility of 116%, and no expected dividends.

SILVER PURSUIT RESOURCES LTD.

Notes to the Financial Statements

September 30, 2016

(Expressed in Canadian Dollars)

6. Share Capital (continued)

Share transactions for the year ended September 30, 2015:

- (c) On January 22, 2015, the Company issued 600,000 units pursuant to a non-brokered private placement at a price of \$0.05 per unit for proceeds of \$30,000. Included in this issuance is 300,000 units for proceeds of \$15,000 issued to the President of the Company. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to subscribe for one common share at \$0.05 per share until January 22, 2017.

The fair value of the share purchase warrants issued in connection with the above private placement was \$8,710. The fair value of the share purchase warrants was calculated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 0.55%, expected life of 2 years, expected volatility of 102%, and no expected dividends.

- (d) On June 5, 2015, the Company issued 1,660,000 units pursuant to a non-brokered private placement at a price of \$0.05 per unit for gross proceeds of \$83,000. Included in this issuance is 500,000 units for proceeds of \$25,000 issued to a director of the Company. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to subscribe for one common share at \$0.07 per share until June 5, 2020. In connection with this private placement, the Company paid finder's fees of \$4,060 and issued 81,200 agent's warrants with a fair value of \$2,516, which has been included in share-based payment reserve.

The fair value of the share purchase warrants and agent's warrants issued in connection with the above private placement was \$38,746. The fair value of the share purchase warrants was calculated using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 1.09%, expected life of 5 years, expected volatility of 121%, and no expected dividends.

7. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price \$
Balance, September 30, 2014	4,328,195	0.73
Issued	2,341,200	0.06
Expired	(1,181,612)	0.80
Balance, September 30, 2015	5,487,783	0.43
Issued	8,120,000	0.06
Expired	(2,146,583)	1.00
Balance, September 30, 2016	11,461,200	0.06

As at September 30, 2016, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price \$	Expiry Date
600,000	0.05	January 22, 2017
4,268,000	0.05	March 10, 2018
3,852,000	0.08	May 24, 2018
1,000,000	0.05	March 20, 2019
1,741,200	0.07	June 5, 2020
<u>11,461,200</u>		

SILVER PURSUIT RESOURCES LTD.

Notes to the Financial Statements
September 30, 2016
(Expressed in Canadian Dollars)

8. Stock Options

The Company has reserved 10% of the issued common shares pursuant to an incentive share-based payment plan (the "Plan"). Options to purchase common shares of the Company under the Plan may be granted by the Board of Directors to a director, officer, employee or consultant of the Company. The options are subject to any vesting limitations, exercise process and exercise periods as determined by the Board of Directors. As at September 30, 2016 and 2015, the Company has no issued and outstanding stock options.

9. Risk Management

The Company is engaged primarily in the mineral exploration field and accordingly it may be at risk for environmental issues and fluctuations in commodity pricing relating to the mineral extraction and exploration industry. The Company is subject to provincial and federal environmental regulations. Management has designed procedures and policies to provide for environmental compliance however, due to the diversity of environmental laws and regulations, compliance at all times cannot be assured.

Although management has taken steps to verify title on the properties on which it conducts exploration and in which it has an interest, these procedures may not guarantee the Company's title. Property title may be at risk from unregistered prior agreements, unregistered claims, other land claims and non-compliance with regulatory and environmental requirements.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity and funding risk
- Market risk
- Price risk

The Board of Directors approves and monitors the risk management processes.

(a) Credit Risk

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is on its cash and amounts receivable.

The Company manages its credit exposure by holding its cash with high credit quality financial institutions. The Company's maximum credit exposure for cash and amounts receivable is the carrying value of \$42,160.

The Company determined that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is held in business accounts and is available on demand.

(b) Liquidity and Funding Risk

Liquidity and funding risk is the risk that the Company will not have sufficient capital to meet short-term operating requirements, after taking into account the Company's holdings of cash.

As at September 30, 2016, the Company has a working capital deficit of \$65,927. In the case of cash deficits arising from exploration commitments and general operating budgets, the Company will have to seek debt or equity financing. There are no assurances that such financing will be available on terms acceptable to the Company.

(c) Market Risk

(i) Interest Rate Risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments.

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9. Risk Management (continued)

(c) Market Risk (continued)

(i) Interest Rate Risk (continued)

The Company had \$39,610 in cash at September 30, 2016. The bank account is not an interest bearing bank account and currently the Company does not hold any investments or financial liabilities on which interest accrues, and is therefore not subject to a significant amount of interest rate risk.

(ii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the foreign exchange rates. The Company's functional and reporting currency is the Canadian dollar. The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company has an office in Canada and holds cash in Canadian dollar and US dollar currencies in line with forecasted expenditures. The impact of foreign exchange rates on the financial statements is not significant.

As at September 30, 2016, the Company had no hedging agreements in place with respect to foreign exchange rates.

(iii) Fair Value Risk

As at September 30, 2016 and 2015, the Company's financial instruments consisted of cash, amounts receivable, accounts payable and accrued liabilities, and amounts due to related parties. Of these financial instruments, cash is considered to be level 1, meaning there are quoted prices in active markets for identical instruments. With respect to all of other financial instruments, the Company estimates that their fair values approximate their carrying values at September 30, 2016 and 2015, respectively due to the relatively short-term maturity of these instruments.

(d) 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.

10. Capital Management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash and equity comprised of issued share capital and share-based payment reserve.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended September 30, 2015.

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11. Income Taxes

The tax effect (computed by applying the Canadian federal and provincial statutory rate) of the significant temporary differences, which comprise deferred income tax assets and liabilities, are as follows:

	2016 \$	2015 \$
Canadian statutory income tax rate	26%	26%
Income tax recovery at statutory rate	(73,541)	(17,984)
Tax effect of:		
Permanent differences and other	(4,569)	(551)
Expiry of non-capital loss	—	109,635
Change in unrecognized deferred income tax assets	78,110	(91,100)
Income tax provision	—	—

The significant components of deferred income tax assets and liabilities are as follows:

	2016 \$	2015 \$
Deferred income tax assets		
Non-capital losses carried forward	954,400	902,200
Mineral properties	895,200	871,600
Professional and other fees deducted for accounting purposes in excess of those deducted for tax purposes	106,400	106,400
Share issuance costs	5,600	4,100
Property and equipment	7,900	7,100
Total gross deferred income tax assets	1,969,500	1,891,400
Unrecognized deferred income tax assets	(1,969,500)	(1,891,400)
Net deferred income tax asset	—	—

Non-capital tax losses carried forward in Canada as at September 30, 2016 totaling approximately \$3,670,900 expire as follows:

	\$
2016	338,200
2027	318,800
2028	399,300
2029	290,300
2030	297,400
2031	424,600
2032	563,900
2033	320,800
2034	419,500
2035	97,100
2036	201,000
	3,670,900

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12. Subsequent Event

On October 31, 2016, the Company issued 2,500,000 units pursuant to a non-brokered private placement at a price of \$0.10 per unit for proceeds of \$250,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to subscribe for one common share at \$0.16 per share until October 31, 2018. In connection with this private placement, the Company paid finder's fees of \$14,000 and issued 140,000 agent's warrants.