QUADRO RESOURCES LTD.

FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2016 AND 2015

QUADRO RESOURCES LTD.
STATEMENTS OF FINANCIAL POSITION
AS AT JULY 31

	Note	2016	2015
ASSETS			
Current assets			
Cash		$ 3,512	$ 22,913
Sales tax recoverable		1,707	722
		5,219	23,635
Non-current assets			
Equipment	4	-	5,348
		-	5,348
Total assets		$ 5,219	$ 28,983
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Trade and other payables	6	$ 30,298	$ 31,552
Amounts due to related parties	7	227,094	216,094
Total liabilities		257,392	247,646
Shareholders' deficiency			
Share capital	8	9,607,269	9,607,269
Share-based payments reserve	9	617,579	617,579
Deficit		(10,477,021)	(10,443,511)
Total shareholders' deficiency		(252,173)	(218,663)
Total liabilities and shareholders' deficiency		$ 5,219	$ 28,983

Basis of presentation and going concern (Note 2)
Subsequent events (Note 14)

The financial statements were authorized for issue by the board of directors on November 25, 2016 and were signed on its behalf by:

____________________ Director ____________________ Director

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

QUADRO RESOURCES LTD.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
YEARS ENDED JULY 31

	Note		2016		2015
EXPENSES					
Accounting and audit		$	11,800	$	14,786
Administrative			1,339		5,141
Depreciation	4		1,277		1,708
Office and miscellaneous			2,079		6,902
Rent			4,562		17,762
Transfer agent and regulatory fees			4,328		13,038
Travel and promotion			4,054		11,772
			(29,439)		(71,109)
OTHER ITEMS					
Interest income			-		12
Forgiveness of related party payables	6		-		25,564
Write-off of equipment	4		(4,071)		-
Write-off of exploration and evaluation assets	5		-		(27,449)
			-		(1,873)
Loss and comprehensive loss for the year		$	(33,510)	$	(72,982)
Basic and diluted loss per common share	8	$	(0.00)	$	(0.01)
Weighted average number of common shares outstanding			7,106,162		7,106,162

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

QUADRO RESOURCES LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

	Number of shares	Share capital	Share-based payments reserve	Deficit	Total shareholders' deficiency
Balance, July 31, 2014	7,106,162	$ 9,607,269	$ 617,579	$ (10,370,529)	$ (145,681)
Loss for the year	-	-	-	(72,982)	(72,982)
Balance, July 31, 2015	7,106,162	9,607,269	617,579	(10,443,511)	(218,663)
Loss for the year	-	-	-	(33,510)	(33,510)
Balance, July 31, 2016	7,106,162	$ 9,607,269	$ 617,579	$ (10,477,021)	$ (252,173)

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

QUADRO RESOURCES LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31

		2016		2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	$	(33,510)	$	(72,982)
Items not affecting cash:				
Depreciation		1,277		1,708
Extinguishment of related party payables		-		(25,564)
Write-off of equipment		4,071		-
Write-off of exploration and evaluation assets		-		27,449
Changes in non-cash working capital items:				
Receivables		(985)		7,567
Prepaid expenses and deposits		-		1,200
Trade and other payables		(1,254)		8,618
Net cash used in operating activities		(30,401)		(52,004)
CASH FLOWS FROM INVESTING ACTIVITIES				
Exploration and evaluation asset costs		-		(7,843)
BC mining exploration tax credit refund		-		2,178
Net cash used in investing activities		-		(5,665)
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances from related party		11,000		4,250
Net cash provided by financing activities		11,000		4,250
Change in cash during the year		(19,401)		(53,419)
Cash, beginning of the year		22,913		76,332
Cash, end of the year	$	3,512	$	22,913

There were no significant non-cash transactions during the year ended July 31, 2016 and 2015.

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

1. NATURE OF BUSINESS

Quadro Resources Ltd. (the "Company") was incorporated under the laws of British Columbia, Canada and maintains its head office at Suite 1410, 1030 West Georgia Street, Vancouver, British Columbia, Canada, V6E 2Y3. Its registered office is located at Suite 1780, 400 Burrard Street, Vancouver, British Columbia, Canada, V6C 3A6. The Company is primarily engaged in the acquisition, exploration and development of exploration and evaluation assets in Canada. The Company is listed on the NEX board of the TSX Venture Exchange (TSX-V) under the symbol “QRO”.

2. BASIS OF PRESENTATION

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

Basis of measurement

These financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company’s functional currency.

Significant estimates and assumptions

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the period. Actual results could differ from these estimates. 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. Significant areas requiring the use of management estimates include:

i) The determination of the fair value of stock options and warrants using stock pricing models, require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company’s stock options and warrants.

ii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.

2. BASIS OF PRESENTATION (cont'd…)

Significant judgments

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

i) 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
ii) The classification of financial instruments.

Going concern

At present, the Company's operations do not generate cash flow. The Company has incurred losses since inception and, as at July 31, 2016, had an accumulated deficit of $10,477,021 (July 31, 2015 - $10,443,511) and a working capital deficiency of $252,173 (July 31, 2015 - $224,011). The continuing operations of the Company are dependent upon its ability to raise adequate financing, identify economically recoverable reserves and to commence profitable operations in the future. The aforementioned factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

In order to continue as a going concern and meet its corporate objectives, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Management, after reviewing the current cash position and having considered the willingness of its directors to provide funds in the short term, adopts the going concern basis in preparing its financial statements.

These financial statements do not include adjustments that would be required if the going concern assumption is not an appropriate basis for preparation of the financial statements. These adjustments could be material.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all years presented in these financial statements, unless otherwise indicated.

Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset into operation and an initial estimate of the rehabilitation obligation. Depreciation is recognized on a declining balance basis at annual rates of 20% for office furniture and equipment and 30% for computer equipment. Additions during the year are depreciated at one-half the annual rate.

An item of equipment is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive income (loss). The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for equipment and any changes arising from the assessment are applied by the Company prospectively.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Exploration and evaluation assets

The Company's accounting policy for mineral property costs is dependent on the stage of the properties to which the costs relate. All capitalized costs are attributed to the individual mineral properties to which they relate, known as cash generating units ("CGUs").

Acquisition costs

All costs incurred to acquire or maintain mineral property rights are capitalized to the relevant CGU. These costs are not depleted until the CGU reaches production.

Exploration and evaluation costs

Costs related to the exploration and evaluation of properties for which no technically or economically feasible reserves have been established are capitalized to the relevant CGU in the period incurred. The Company records expenditures on exploration and evaluation activities at cost. Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property. The Company determines that technical and economic feasibility exists when:

- a feasibility study, prepared in accordance with professional geological standards, defines a proven mineral reserve body;
- the Company intends to recover the mineral reserves through mining activity or sale of mineral rights; and
- the Company has sufficient financing available to develop and operate a mine or to market the mineral rights.

Development costs

When technical and economic feasibility exists for a certain CGU, all costs incurred to further prepare and develop a mine, or to ready the reserve rights for sale, are capitalized. Such costs may include interest on debt financing required to construct a mine or general and overhead expenses that are directly attributable to the CGU. These capitalized costs are not subject to depletion until such time as the mine is ready for production or the mineral rights are saleable, at which point they are depleted on a unit-of-production basis over the estimated recoverable reserves of each CGU.

Post-development costs

After a mine is ready for production or mineral reserves are saleable, all costs, including interest on related debt and general and administrative costs are expensed in the period incurred unless they relate to an extension of mineral reserves or a significant improvement in mining operations. In these instances, the expenditures related to the betterment are capitalized and are depleted on a unit-of-production basis over the remaining recoverable reserves.

Impairment of exploration and evaluation assets

Management assesses the exploration and evaluation assets for impairment at least annually and whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The assessment is based on the development program, the nature of the mineral deposit, commodity prices and the Company's intentions and ability for development of the undeveloped property. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Provisions

i) General

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

ii) Decommissioning and restoration provision

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of its exploration and evaluation assets in the year in which it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Initially, a provision for a decommissioning liability is recognized based on expected cash flows required to settle the obligation and discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. Following the initial recognition of the decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. The increase in the provision due to passage of time is recognized as interest expense. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows. As at July 31, 2016, the Company has no known restoration, rehabilitation or environmental liabilities related to its exploration and evaluation assets.

Share capital

The Company records proceeds from the issuance of its common shares as equity. Incremental costs directly attributable to the issue of new common shares are shown in equity as a deduction, net of tax, from the proceeds. Common shares issued for consideration other than cash are valued based on their market value at the date that shares are issued.

Flow-through shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("flow-through tax liability") on the Company's statement of financial position. Upon renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through tax liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments

Financial instruments consist of financial assets and financial liabilities and are initially recognized at fair value net of transaction costs, if applicable. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit or loss," "loans and receivables," "available-for-sale," "held-to-maturity," or "financial liabilities measured at amortized cost" as follows:

(i) Financial assets

Financial assets comprise cash, and receivables. The Company classifies its cash as fair value through profit or loss. Receivables are classified as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Fair value through profit or loss

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.

(ii) Financial liabilities

Financial liabilities comprise trade and other payables and accounts payable to related parties. The Company classifies its financial liabilities as other financial liabilities which are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, this reversal is recognized in profit or loss.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Earnings / loss per share

Basic earnings/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. The diluted loss per share reflects all dilutive potential common share equivalents, which comprise outstanding stock options and share purchase warrants in the weighted average number of common shares outstanding during the period, if dilutive. There were no stock options and share purchase warrants outstanding for the years ended July 31, 2016 and 2015.

Share-based payments

Share-based payments to employees and others providing similar services are measured at grant date at the fair value of the instruments issued and amortized over the vesting periods using a graded approach. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche in an award is considered a separate grant with a different vesting date and fair value and is accounted for on that basis.

Share-based payments to non-employees are measured at the fair value of the 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 offset to the recorded cost is to share-based payments reserve. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount ultimately recognized as an expense is based on the number of options that eventually vest. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital.

The fair value of the stock options is determined using the Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility), weighted average expected life of the instruments (based on historical experience), expected dividends, and the risk-free interest rate (based on government bonds).

Current and deferred income taxes

Current taxes receivable or payable are estimated on taxable income or loss for the current year at the statutory tax rates enacted or substantively enacted at the reporting date.

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax assets and liabilities are measured at the tax rates that have been enacted or substantially enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. Deferred income tax assets are recognized for unused tax losses, tax credits and deductible temporary differences, only to the extent that it is probable that future taxable profit will be available against which they can be utilized.

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Future changes in accounting standards

There were no new standards effective August 1, 2015 that had an impact on the Company's financial statements. A number of new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on or after January 1, 2016, or later periods. The Company has not applied these new standards in preparing these financial statements. The following pronouncements are considered by the Company to be the most significant of several pronouncements that may affect the financial statements in future periods.

- New standard IFRS 9 *Financial Instruments* ("IFRS 9") has been issued by IASB to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost and fair value. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of adopting IFRS 9 on its financial statements.

- New standard IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") has been issued by IASB to replace IAS 18 *Revenue* and IAS 11 *Construction Contracts*. This new standard sets out the requirements for recognizing and disclosing revenues that apply to all contracts with customers. The effective date of IFRS 15 is for annual periods beginning on or after January 1, 2018.

- New standard IFRS 16 *Leases* ("IFRS 16") has been issued by IASB to replace IAS 17 Leases. This new standard sets out the requirements for recognizing and disclosing leases. The objective is to ensure that lessees and lessors provide relevant information that faithfully represents the transactions. The effective date of IFRS 16 is for annual periods beginning on or after January 1, 2019.

The Company is currently assessing the impact that these new standards will have on its financial statements and whether to early adopt any of the new standards.

4. EQUIPMENT

	Computer	Office furniture & equipment	Total
Cost			
Balance as at July 31, 2015	$ 26,151	$ 23,333	$ 49,484
Additions	-	-	-
Write-off	(26,151)	(23,333)	(49,484)
Balance as at July 31, 2016	-	-	-
Accumulated depreciation			
Balance as at July 31, 2015	24,081	20,055	44,136
Depreciation for the year	621	656	1,277
Write-off	(24,702)	(20,711)	(45,413)
Balance as at July 31, 2016	-	-	-
Net book value as at July 31, 2016	$ -	$ -	$ -

4. EQUIPMENT (cont'd…)

		Computer		Office furniture & equipment		Total
Cost						
Balance as at July 31, 2014	$	26,151	$	23,333	$	49,484
Additions		-		-		-
Balance as at July 31, 2015		26,151		23,333		49,484
Accumulated depreciation						
Balance as at July 31, 2014		23,194		19,234		42,428
Depreciation for the year		887		821		1,708
Balance as at July 31, 2015		24,081		20,055		44,136
Net book value as at July 31, 2015	$	2,070	$	3,278	$	5,348

During the year ended July 31, 2016, the Company wrote-off equipment in the amount of $4,071 (2015 - $nil).

5. EXPLORATION AND EVALUATION ASSETS

Brookmere Property

On February 19, 2013 (and as amended on February 10, 2015), the Company entered into an option agreement with Vatic Ventures Corp. ("Vatic") whereby the Company had an option to acquire a 51% interest in certain mineral claims located in the Spences Bridge Gold Belt District, British Columbia, Canada. Vatic is related to the Company by means of common directors/officers. Pursuant to the option agreement and subsequent amendments, to earn a 51% interest in the property, the Company was required to incur $860,000 of exploration expenditures on the property over a three-year period as follows:

1) $110,000 of exploration expenditures by December 31, 2015;
2) An additional $250,000 of exploration expenditures by December 31, 2016; and
3) An additional $500,000 of exploration expenditures by December 31, 2017.

During the year ended July 31, 2015, the Company wrote off the carrying amount of $27,449, as management of the Company had no further interest in pursuing the claims.

6. TRADE AND OTHER PAYABLES

		2016		2015
Trade payables	$	20,691	$	20,052
Accrued expenses		9,607		11,500
	$	30,298	$	31,552

6. TRADE AND OTHER PAYABLES (cont'd…)

During the year ended July 31, 2015, the Company recognized a gain of $25,564 in association with an amount forgiven by a company controlled by an officer of the Company.

Trade payables of the Company are principally comprised of amounts outstanding for trade purchases relating to operating activities. The usual credit period taken for trade purchases is between 30 to 90 days.

7. RELATED PARTY TRANSACTIONS

Included in amounts due to related parties are $211,844 (2015 - $211,844) related to services rendered to the Company by companies controlled by its directors and $15,250 (2015 - $4,250) in advances from the President of the Company. Amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

Key management includes directors (executive and non-executive) and officers of the Company. There were no short-term employee benefits and share-based payments paid or payable to key management personnel during the years ended July 31, 2016 and 2015.

During the year ended July 31, 2015, the Company paid or accrued exploration expenditures of $13,137 to a company controlled by a director of the Company for exploration services.

The Company did not enter into any related party transactions during the year ended July 31, 2016.

8. SHARE CAPITAL

Authorized share capital

The Company has authorized an unlimited number of common shares with no par value.

Issued share capital

At July 31, 2016 and 2015, the Company had 7,106,162 common shares issued and outstanding.

Basic and diluted loss per share

The calculation of basic and diluted loss per share for the year ended July 31, 2016 was based on the loss attributable to common shareholders of $33,510 (2015 - $72,982) and a weighted average number of common shares outstanding of 7,106,162 (2015 - 7,106,162).

9. SHARE-BASED PAYMENTS

Stock option plan

The Company has adopted an incentive rolling stock option plan (the "Plan") under which it is authorized to grant options to directors, officers, employees and consultants enabling them to acquire up to a maximum of 1,421,233 common shares or 20% of the total number of issued and outstanding shares of the Company. The options can be granted for a maximum term of 5 years and vest as determined by the board of directors. The exercise price of options granted

9. SHARE-BASED PAYMENTS (cont'd…)

under the Plan shall not be less than the closing price of the Company's shares on the trading day immediately preceding the date of grant, less the discount permitted under the Exchange's policies.

The Company had no stock option or warrant transactions during the years ended July 31, 2016 and 2015. The Company had no stock options or warrants outstanding at July 31, 2016 and 2015.

10. INCOME TAXES

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

		2016		2015
Loss before income taxes	$	(33,510)	$	(72,982)
Corporate tax rate		26.0%		26.0%
Expected income tax recovery at statutory rates	$	(9,000)	$	(19,000)
Permanent differences		-		(6,000)
Others		69,000		77,000
Current year unrecognized temporary differences		(60,000)		(52,000)
Total income tax expense	$	-	$	-

Details of the Company's unrecognized deferred income tax assets are as follows:

		2016		2015
Non-capital loss carryforwards	$	670,000	$	731,000
Capital loss carryforwards		159,000		159,000
Exploration and evaluation assets		291,000		291,000
Equipment		16,000		15,000
Net unrecognized deferred income tax assets	$	1,136,000	$	1,196,000

The significant components of the Company's temporary differences and unused tax losses are as follows:

	As of July 31,					
		2016	Expiry dates		2015	Expiry dates
Capital losses	$	612,000	Not applicable	$	612,000	Not applicable
Non-capital losses	$	2,577,000	2027 to 2036	$	2,812,000	2016 to 2035
Equipment	$	63,000	Not applicable	$	58,000	Not applicable
Exploration and evaluation assets	$	1,120,000	Not applicable	$	1,120,000	Not applicable

Tax attributes are subject to review and potential adjustment by tax authorities.

11. FINANCIAL INSTRUMENTS AND RISK

The Company classified its financial instruments as follows: cash is classified as fair value through profit or loss, sales tax recoverable as loans and receivables, trade and other payables and amounts due to related parties as other financial liabilities and are measured at amortized cost. Information on certain types of financial instruments is included elsewhere in these financial statements as follows: trade and other payables (Note 6); and amounts due to related parties (Note 7).

The carrying amount of cash, sales tax recoverable, trade and other payables, and amounts due to related parties carried at amortized cost is a reasonable approximation of fair value due to the relatively short period to maturity of these financial instruments.

Financial risk management

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Credit risk

Credit risk is the risk of potential loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with its cash. The credit risk with respect to its cash is minimal as they are held with high-credit quality financial institutions. Management does not expect these counterparties to fail to meet their obligations.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at July 31, 2016, the Company had a cash balance of $3,512 to settle trade and other payables of $30,298. The Company's trade and other payables have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. As at July 31, 2016, the Company also had amounts due to related parties of $227,094 owing to companies controlled by directors and officers of the Company with no specific terms of repayment.

At present, the Company's operations do not generate positive cash flows. The Company's primary source of funding has been the issuance of equity securities through private placements and the exercise of stock options and warrants. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term maturity.

12. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Financial instruments measured at fair value on the statement of financial position are summarized in levels of the fair value hierarchy as follows. There have been no changes in these levels and no changes in classifications during the year ended July 31, 2016.

	Level 1	Level 2	Level 3
July 31, 2016			
Cash	$ 3,512	$ -	$ -

13. CAPITAL MANAGEMENT

The Company's objective when managing capital is to ensure adequate working capital is available to fund both the business development plans and the working capital requirements of each annual operating cycle. In the management of capital, the Company includes shareholders' equity (deficiency) in the definition of capital.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets. The Board of Directors does not establish quantitative return on capital criteria for management.

There were no changes in the Company's approach to capital management during the year ended July 31, 2016. The Company is not subject to externally imposed capital requirements.

14. SUBSEQUENT EVENTS

Subsequent to the year ended July 31, 2016, the Company received $15,000 from the President of the Company. The advance is unsecured, non-interest bearing, and has no specific terms of repayment.