# HI HO SILVER RESOURCES INC.

## FINANCIAL STATEMENTS

(Stated in Canadian dollars)

## JULY 31, 2017 AND 2016

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Hi Ho Silver Resources Inc.

We have audited the accompanying financial statements of Hi Ho Silver Resources Inc. which comprise the statements of financial position as at July 31, 2017 and 2016, and the statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and the related notes comprising 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 as issued by the International Accounting Standards Board, 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 audits 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 our 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, we consider 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 includes evaluating the appropriateness of 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, the financial statements present fairly, in all material respects, the financial position of Hi Ho Silver Resources Inc. as at July 31, 2017 and 2016, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**Emphasis of Matter**
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Hi Ho Silver Resources Inc. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
November 28, 2017

**HI HO SILVER RESOURCES INC.**
STATEMENTS OF FINANCIAL POSITION
AS AT JULY 31, 2017 AND 2016

| | | **July 31, 2017** | | **July 31, 2016** |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current** | | | | |
| Cash | $ | 11,748 | $ | 48 |
| Sales tax and other receivables | | 56,027 | | 9,167 |
| Prepaid expenses and deposits | | 4,603 | | 4,226 |
| | | 72,378 | | 13,441 |
| **Equipment** (Note 7) | | 848 | | 2,647 |
| **Exploration and evaluation assets** (Note 8) | | 642,561 | | 629,200 |
| | | 643,409 | | 631,847 |
| | $ | 715,787 | $ | 645,288 |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Trade payables and accrued liabilities | $ | 805,107 | $ | 402,206 |
| Due to related parties (Note 11) | | 7,000 | | 798,533 |
| Loans payable (Note 12) | | 54,720 | | 213,794 |
| Obligation for share subscriptions received (Note 9) | | 289,000 | | 289,000 |
| Promissory note payable (Note 12) | | 51,580 | | 51,580 |
| Provisions (Note 10) | | 274,640 | | 271,355 |
| | | 1,482,047 | | 2,026,468 |
| **SHAREHOLDERS' DEFICIT** | | | | |
| Common shares (Note 9) | $ | 11,542,181 | $ | 9,841,612 |
| Warrants (Note 9) | | 214,431 | | 224,177 |
| Subscriptions received (unpaid) (Note 9) | | (45,000) | | 479,003 |
| Equity reserves (Note 9) | | 5,564,988 | | 4,941,224 |
| Deficit (Note 9) | | (18,042,860) | | (16,867,196) |
| | | (766,260) | | (1,381,180) |
| | $ | 715,787 | $ | 645,288 |

Nature of operations and going concern (Note 1)

Commitments and contingencies (Note 15)

Subsequent events (Note 18)

Approved by the Board of Directors:

*/s/ Bill Jorgenson*
Bill Jorgenson, Director and CFO

*/s/ Gary Jorgenson*
Gary Jorgenson, Director and CEO

**HI HO SILVER RESOURCES INC.**
STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED JULY 31, 2017 AND 2016

| | | 2017 | | 2016 |
|---|---|---|---|---|
| **OPERATING EXPENSES** | | | | |
| Accounting, audit and legal | $ | 203,479 | $ | 73,477 |
| Amortization | | 1,799 | | 3,259 |
| Consulting, salaries and benefits | | 586,086 | | 296,655 |
| Finance fee | | 22,934 | | 190,921 |
| Investor relations, promotion, travel and conferences | | 75,169 | | 53,483 |
| Listing, exchange and transfer fees | | 26,176 | | 27,294 |
| Office, administration and miscellaneous | | 6,310 | | 8,366 |
| Rent | | 52,780 | | 84,305 |
| Telecommunications | | 5,225 | | 8,525 |
| | | 979,958 | | 746,285 |
| **OTHER EXPENSES** | | | | |
| Impairment of investment (Note 13) | | 53,000 | | 26,000 |
| Loss on settlement of accounts payable | | 2,057 | | - |
| Write-down of exploration and evaluation assets (Notes 8 (d) and 8 (e)) | | 140,649 | | 75,708 |
| | | 195,706 | | 101,708 |
| **NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR** | $ | 1,175,664 | $ | 847,993 |
| Weighted average number of shares outstanding | | 16,990,995 | | 6,641,602 |
| Basic and diluted loss per common share | $ | (0.07) | $ | (0.13) |

## HI HO SILVER RESOURCES INC.

STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
FOR THE YEARS ENDED JULY 31, 2017 AND 2016

| | Number of Shares | | Common shares | | Warrants | | Subscriptions received (unpaid) | | Equity reserves | | Deficit | | Total Shareholder's Deficit |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance, July 31, 2015** | **5,837,078** | **$** | **9,745,612** | **$** | **531,271** | **$** | **-** | **$** | **4,634,130** | **$** | **(16,019,203)** | **$** | **(1,108,190)** |
| Shares issued for exploration and evaluation assets | 960,000 | | 96,000 | | - | | - | | - | | - | | 96,000 |
| Share subscriptions received | - | | - | | - | | 479,003 | | - | | - | | 479,003 |
| Warrants expired | - | | - | | (307,094) | | - | | 307,094 | | - | | - |
| Comprehensive loss for the year | - | | - | | - | | - | | - | | (847,993) | | (847,993) |
| **Balance, July 31, 2016** | **6,797,078** | **$** | **9,841,612** | **$** | **224,177** | **$** | **479,003** | **$** | **4,941,224** | **$** | **(16,867,196)** | **$** | **(1,381,180)** |
| Shares issued for cash received previously | 4,790,030 | $ | 382,825 | $ | 96,178 | $ | (479,003) | $ | - | $ | - | $ | - |
| Shares issued for exploration and evaluation assets | 1,000,000 | | 72,500 | | - | | - | | - | | - | | 72,500 |
| Shares issued for debt settlement | 9,502,590 | | 757,417 | | 2,546 | | - | | - | | - | | 759,963 |
| Shares issued for services | 760,000 | | 65,250 | | 33,285 | | - | | - | | - | | 98,535 |
| Shares issued for cash | 4,649,996 | | 382,577 | | 82,423 | | (5,000) | | - | | - | | 460,000 |
| Shares issued for share exchange agreement | 4,000,000 | | 40,000 | | - | | (40,000) | | - | | - | | - |
| Share based compensation | - | | - | | - | | - | | 294,864 | | - | | 294,864 |
| Reallocation of reserves to warrants expired | - | | - | | (224,178) | | - | | 224,178 | | - | | - |
| Gain on debt settlement with shareholders | - | | - | | - | | - | | 104,722 | | - | | 104,722 |
| Comprehensive loss for the year | - | | - | | - | | - | | - | | (1,175,664) | | (1,175,664) |
| **Balance, July 31, 2017** | **31,499,694** | **$** | **11,542,181** | **$** | **214,431** | **$** | **(45,000)** | **$** | **5,564,988** | **$** | **(18,042,860)** | **$** | **(766,260)** |

## HI HO SILVER RESOURCES INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JULY 31, 2017 AND 2016

| | Notes | | 2017 | | 2016 |
|---|---|---|---|---|---|
| **CASH FLOWS USED IN OPERATING ACTIVITIES** | | | | | |
| Net loss | | $ | (1,175,664) | $ | (847,993) |
| Items not affecting cash: | | | | | |
| Finance expense | | | - | | 177,684 |
| Write-down of exploration and evaluation assets | | | 140,649 | | 75,708 |
| Impairment of investment | 13 | | 53,000 | | 26,000 |
| Loss on settlement of accounts payable | | | 2,057 | | - |
| Share-based payments | 9 | | 294,864 | | - |
| Consulting and directors' fees paid in shares | 9 | | 98,535 | | - |
| Accrued interest | 10 | | 23,272 | | 3,208 |
| Amortization | 7 | | 1,799 | | 3,259 |
| Net change in non-cash working capital items: | | | | | |
| Sales tax and other receivables | | | (46,860) | | 5,164 |
| Prepaid expenses and deposits | | | (377) | | - |
| Accounts payable and accrued liabilities | | | 96,109 | | 34,091 |
| Due to related parties | | | - | | 234,908 |
| | | | (512,616) | | (287,971) |
| **CASH FLOWS USED IN INVESTING ACTIVITIES** | | | | | |
| Investment in private company | 13 | | (53,000) | | (26,000) |
| Exploration and evaluation assets costs | 8 | | (81,510) | | (28,539) |
| | | | (134,510) | | (54,539) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Shares and warrants issued for cash | 9 | | 460,000 | | 301,319 |
| Loans received, net of cash repayments | | | 198,826 | | 41,267 |
| | | | 658,826 | | 342,586 |
| **INCREASE IN CASH** | | | 11,700 | | 76 |
| CASH, BEGINNING OF YEAR | | | 48 | | (28) |
| **CASH, END OF YEAR** | | $ | 11,748 | $ | 48 |

**Supplemental Disclosure of Cash Flow Information (**Note 14**)**

## 1. NATURE OF OPERATIONS AND GOING CONCERN

Hi Ho Silver Resources Inc. (the "Company" or "Hi Ho") was incorporated under the Canada Business Corporations Act on April 7, 2005 and continued to a provincial jurisdiction of BC on March 30, 2017. The address of the Company's corporate office and its registered office is located at 999 Canada Place, Suite 404 Vancouver, BC V6C 3E2.

The Company currently has interests in mineral properties in British Columbia, Newfoundland, Labrador, Quebec, and California. Substantially all of the Company's efforts are devoted to financing and exploring these properties. There has been no determination whether the properties in which the Company holds interest contain mineral reserves which are economically recoverable.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, as necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception, has accumulated deficit of $18,042,860 and has a working capital deficit of $1,409,669. The ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operation and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

There can be no assurance that the Company will be able to continue to raise funds, in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statements of financial position. As the Company does not have sufficient working capital to meet its short-term obligations or its projected minimum financial obligations for the next fiscal year, a material uncertainty exists that may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

## 2. BASIS OF PRESENTATION

### Statement of Compliance

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Significant accounting policies and the applicable basis of measurement used in the preparation of these financial statements are described in Note 3.

These financial statements are expressed in Canadian dollars and have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. The accounting policies set out below have been applied consistently to all years presented in these financial statements as if the policies have always been in effect.

## 2. BASIS OF PRESENTATION (CONTINUED)

The Company completed a 25:1 share consolidation effective August 8, 2016. This is reflected throughout the financial statements, the notes to the financial statements, and all historic share amounts including per share amounts.

The financial statements were authorized for issue on November 28, 2017 by the Board of Directors of the Company.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Cash equivalents

The Company considers all highly liquid instruments usually with maturities from the date of acquisition of 90 days or less, which are readily convertible to known amounts of cash and are subject to insignificant changes in value, to be cash equivalents. As at July 31, 2017 and 2016, the Company does not have any cash equivalents.

### (b) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is recorded on a declining balance basis.

### (c) Exploration and evaluation assets

Direct property acquisition costs, certain development costs such as drilling geotechnical analysis and mapping, relating to specific properties are deferred until the properties to which they relate are brought into production, at which time they will be amortized on a unit of production basis, or until the properties are sold, abandoned, or allowed to lapse, at which time they will be written-off.

Costs include the cash consideration paid and the fair market value of shares issued, if any, on the acquisition of exploration properties. Properties acquired under option agreements whereby payments are made at the sole discretion of the Company are recorded in the accounts at such time as the payments are made. The proceeds from options granted are applied to the cost of the related property and any excess is included in operations for the year. Costs incurred for administration and general exploration that are not project specific, are charged to operations. Government assistance is recorded when it is probable that the amount will be received. Amounts received from government assistance are credited against deferred exploration expenditures.

Prior to obtaining property rights or licenses, preliminary exploration and evaluation costs are recorded as an expense in the statement of comprehensive loss for the period in which they are incurred.

The recorded amounts for acquisition costs of properties and their related capitalized exploration and development expenses represent actual expenditures incurred and are not intended to reflect present or future values. The Company, however, reviews the capitalized costs on its properties on a periodic basis and will recognize impairment in value based upon the stage of exploration, work programs proposed, current exploration results and upon management's assessment of the future probability of profitable revenues from each property, or from the sale of the relevant property.

Management's assessment of a property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(d) Decommissioning obligations**

A decommissioning obligation is a legal or constructive obligation associated with the retirement of long-lived assets that the Company is required to settle. The Company recognizes the fair value of a provision for any decommissioning obligation in the year in which it is incurred and when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

**(e) Impairment of non-current assets**

Non-current assets are evaluated at least annually by management for indicators that the carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in the statement of loss and comprehensive loss to the extent that the carrying amount exceeds the recoverable amount.

In calculating the recoverable amount, the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future mineral prices, the amount of reserves and resources, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs.

Additionally, the reviews take into account factors such as political, social, and legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and resources and expected future production revenues and expenses.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in the statement of loss and comprehensive loss. Management's estimates of future mineral prices, recoverable reserves, and operating, capital and restoration costs are subject to certain risks and uncertainties that may affect the recoverability of exploration and evaluation assets. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimate of the net cash flow to be generated from its projects.

**(f) Use of Estimates and Judgements**

The preparation of these financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. These and other estimates are subject to measurement uncertainty and the effect on the financial statements of changes in these estimates could be material. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following are the critical estimates and judgments that management has made in applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Use of Estimates and Judgements (continued)

*Decommissioning obligations*

The Company recognizes liabilities for statutory, contractual, constructive, or legal obligations associated with the retirement of non-current assets, when those obligations result from the acquisition, construction, development, or normal operation of the assets. The net present value of future decommissioning cost estimates arising from the decommissioning of site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other exploration and evaluation assets.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred. The costs of decommissioning projects that are included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets. As of July 31, 2017, there are no restoration and reclamation provisions recognized (July 31, 2016 - $nil).

*Exploration and evaluation assets*

Costs incurred after the legal right to explore has been obtained and before technical feasibility and commercial viability of the area have been established are capitalized as exploration and evaluation assets. The decision regarding technical feasibility and commercial viability of exploration and evaluation assets involve a number of assumptions, such as estimated reserves, commodity price forecasts, expected production volumes and discount rates, all of which are subject to material change in the future.

*Flow-through share provision*

Flow-through share provisions are comprised of the Company's various tax penalties and indemnification liabilities relating to the deficiencies in incurring on a timely basis the appropriate amount of qualifying exploration expenditures required related to past flow-through share issuances. The Company may also be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made exploration expenditures. Management uses its judgement in its assessment that the amounts presented in the financial statements for exploration and evaluation are expected to be recovered either from a sale or from the evaluation of a future mine.

Flow-through share provisions have been created based on internal estimates of the maximum penalties and indemnification liabilities the Company could be subject to. Assumptions, based on the current tax regulations, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. The final cost of the flow-through share provision may be lower than currently provided for.

*Impairment of loan receivable*

Management uses judgment to assess the existence of impairment indicators such as events or changes in circumstances that may indicate the carrying amount of loans receivable.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Use of Estimates and Judgements (continued)

*Share based payments*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9.

*Taxation*

The calculation of deferred taxes is based on a number of assumptions including estimating the future periods in which temporary differences, tax losses and other tax credits will reverse, the use of substantively enacted tax rates at the statement of financial position date and the likelihood of deferred tax assets being realized.

*Going concern*

The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.

### (g) Basic and diluted loss per common share

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated similar to basic loss per share except that the weighted average number of common shares includes the dilutive effects of options, warrants and similar instruments. It assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. Existing share options and share purchase warrants have not been included in the computation of diluted loss per share as to do so would be anti-dilutive. Accordingly, basic and diluted loss per share is the same for the periods presented.

### (h) Income Taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the statement of financial position asset and liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Share-based Compensation

The Company recognizes share-based compensation expense for the estimated fair value of equity-based instruments granted to both employees and non-employees. Compensation costs attributable to stock options or similar equity instruments granted to employees are measured at the fair value at the grant date, and expensed over the expected vesting period on a graded basis. Transactions in which goods or services are received from non-employees in exchange for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable.

### (j) Financial Instruments

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

*Financial assets at fair value through profit or loss ("FVTPL")*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

*Held-to-maturity ("HTM")*

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

*Available-for-sale ("AFS")*

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(j) Financial Instruments (continued)**

*Other financial liabilities*

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Company has classified its financial instruments as follows:

a) Cash and investment in the private company are classified as fair value through profit or loss.

b) Loans receivable is classified as loans and receivables.

c) Trade payables, due to related parties, loans payable, promissory note payable, obligation for share subscriptions received and provisions are classified as other financial liabilities.

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, eitherdirectly (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3 - inputs for the asset or liability that are not based upon observable market data.

*Comprehensive income or loss*

Comprehensive income or loss is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources, such as any unrealized gains and losses in financial assets classified as available for sale. The Company had no "other comprehensive income or loss" transactions during the years ended July 31, 2017 or 2016.

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

*For all financial assets objective evidence of impairment could include:*

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It is becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(j) Financial Instruments (continued)**

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

**(k) Flow-Through Financing**

The Company has financed a portion of its exploration activities through the issuance of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to share capital and the related exploration costs have been charged to exploration and evaluation assets.

Resource expenditure deductions for income tax purposes, related to exploration and development activities funded by flow-through share arrangements, are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation will reduce share capital.

The Company records a flow-through share premium liability calculated as the difference between the selling price of the flow-through common share or unit, and the market price of the Company's common shares on the date of issuance. This liability is reversed on a pro-rata basis as the Company spends the flow-through proceeds on eligible exploration costs on its Canadian property interests. The Company then recognizes "other income on settlement of flow-through premium liability" in its statement of loss and comprehensive loss.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the Company's year-end is disclosed separately as flow-through share liability.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the look-back rule, in accordance with the Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

**4. RECENT ACCOUNTING PRONOUNCEMENTS**

**Adoption of New and Revised Standards and Interpretations:**

<u>IAS 1 – Presentation of Financial Statements</u>

In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements. These amendments did not have an impact on the presentation of the Company's financial statements.

## 4. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

In May 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. These amendments did not have an impact on the presentation of the Company's financial statements.

**Accounting standards and amendments issued but not yet effective**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB that are mandatory for future accounting periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

**New accounting standards effective for annual periods beginning on or after January 1, 2017:**

IAS 7 - Statement of Cash Flows
Disclosure Initiative (Amendments to IAS 7). Issued in January 2016 and effective for periods beginning on or after January 1, 2017. Early adoption is permitted. This disclosure is intended to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

IAS 12 - Income Taxes
Issued in January 2016 and effective for periods beginning on or after January 1, 2017. Early adoption is permitted and should be disclosed. This standard sets out amendments to the recognition of deferred tax assets for unrealized losses.

The Company does not expect the adoption of these standards and interpretations to have any material impact on the financial statements.

**New accounting standards effective for annual periods beginning on or after January 1, 2018:**

IFRS 9 – Financial Instruments

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013 the standard was revised to add the new general hedge accounting requirements. The standard was finalized in July 2014 and was revised to add a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income (FVOTCI) category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

## 4. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

IFRS 2 Share-Based Payments

In June 2016 the Board issued the final amendments to IFRS 2 which amended (a) the effects that vesting conditions have on the measurement of a cash-settled share-based payment; (b) the accounting for modification of the terms of a share-based payment that changes the classification of the transaction from cash-settled to equity settled; and (c) classification of share-based payment transactions with net settlement features.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

**New accounting standards effective for annual periods beginning on or after January 1, 2019:**

IFRS 16 Leases

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

The extent of the impact of adoption of this standard and interpretation on the financial statements of the Company has not been determined.

## 5. ITOCO MINING EARN IN AGREEMENT

On July 20, 2017, the Company entered into an agreement with ITOCO Mining Corp. ("ITOCO") whereby ITOCO will acquire the Norbeau Earn-in Agreement (see Note 8(e)) from the Company (the "Transaction"). ITOCO will assume all obligations under the earn-in agreement and fund exploration and development of the property. Hi Ho will retain a 5% net profits interest in the historical gold-producing Norbeau Mine Property, located in Chibougamau, Quebec, Canada.

As part of the Transaction, ITOCO will arrange a private placement of 1,000,000 units at $0.10 per unit and one purchase warrant exercisable at $0.30 for a period of two years. ITOCO will arrange a second private placement on the same terms on a best efforts basis. Subsequent to year end, the Company has received $62,000 in private placement proceeds as part of the Transaction.

Concurrent with the Transaction, ITOCO will issue 4,000,000 shares of its common stock to the Company and the Company will issue 4,000,000 shares of its common stock to ITOCO. On July 28, 2017, the Company issued 4,000,000 shares to ITOCO in accordance with this agreement and because the ITOCO shares have not yet been received by the Company, $40,000 is recorded in subscriptions unpaid based on the value of the ITOCO shares.

## 6. SALES TAX AND OTHER RECEIVABLES

| | 2017 | 2016 |
|---|---|---|
| Other Receivable | $ 1,650 | $ 1,650 |
| Sales Tax Receivable | 22,346 | 7,517 |
| Recovery of legal costs (i) | 32,031 | - |
| | $ 56,027 | $ 9,167 |

(i) On May 19, 2017, the Company filed a Petition to seek relief in association with the litigations between itself and Mr. Neff, a former Director, regarding the timing of the Company's annual general meeting, the setting of a record date, and ancillary relief. On June 30, 2017, the court ordered that all costs and disbursements incurred, totaling $32,031, for the proceedings be payable by Mr. Neff to the Company. Accordingly, the Company recorded $32,031 as a receivable due from Mr. Neff.

## 7. EQUIPMENT

The following tables summarize equipment costs for the years ended July 31, 2017 and 2016:

| | Computer equipment | Equipment | Total |
|---|---|---|---|
| **COST** | | | |
| July 31, 2016 | $ 20,824 | $ 1,696 | $ 22,520 |
| Additions | - | - | - |
| July 31, 2016 | 20,824 | 1,696 | 22,520 |
| Additions | - | - | - |
| **July 31, 2017** | 20,824 | 1,696 | 22,520 |
| **ACCUMULATED AMORTIZATION** | | | |
| July 31, 2015 | 16,444 | 170 | 16,614 |
| Amortization | 2,920 | 339 | 3,259 |
| July 31, 2016 | 19,364 | 509 | 19,873 |
| Amortization | 1,460 | 339 | 1,799 |
| **July 31, 2017** | **$ 20,824** | **$ 848** | **$ 21,672** |
| **NET BOOK VALUE** | | | |
| **July 31, 2016** | **$ 1,460** | **$ 1,187** | **$ 2,647** |
| **July 31, 2017** | **$ -** | **$ 848** | **$ 848** |

## 8. EXPLORATION AND EVALUATION ASSETS

The following tables summarize costs of expenditures on exploration and evaluation assets for the years ended July 31, 2017 and 2016:

| **Acquisition Costs** | Fairview South Okanagan | San Bernardino | Trout lake | Bonanza | Canadian & Augustus | Norbeau Gold | Total |
|---|---|---|---|---|---|---|---|
| July 31, 2016 | $ 196,526 | $ 60,000 | $ 10,000 | $ 10,000 | $ - | $ - | $ 276,526 |
| Additions | - | - | - | - | 57,500 | 72,500 | 130,000 |
| Impairment | - | - | - | - | (57,500) | (72,499) | (129,999) |
| July 31, 2017 | $ 196,526 | $ 60,000 | $ 10,000 | $ 10,000 | $ - | $ 1 | $ 276,527 |
| **Deferred Exploration Costs** | | | | | | | |
| July 31, 2016 | $ 338,405 | $ 8,562 | $ 2,854 | $ 2,853 | $ - | $ - | $ 352,674 |
| Additions | 2,700 | 2,700 | 2,700 | 5,260 | 10,650 | - | 24,010 |
| Impairment | - | - | - | - | (10,650) | - | (10,650) |
| July 31, 2017 | $ 341,105 | $ 11,262 | $ 5,554 | $ 8,113 | $ - | $ - | $ 366,034 |
| **July 31, 2017** | **$ 537,631** | **$ 71,262** | **$ 15,554** | **$ 18,113** | **$ -** | **$ 1** | **$ 642,561** |

| **Acquisition Costs** | Fairview South Okanagan | San Bernardino | Trout lake | Bonanza | Bralorne | Labrador | Total |
|---|---|---|---|---|---|---|---|
| July 31, 2015 | $ 190,526 | $ 60,000 | $ - | $ - | $ - | $ - | $ 250,526 |
| Additions | 6,000 | - | 10,000 | 10,000 | 10,000 | 60,000 | 96,000 |
| Impairment | - | - | - | - | (10,000) | (60,000) | (70,000) |
| July 31, 2016 | $ 196,526 | $ 60,000 | $ 10,000 | $ 10,000 | $ - | $ - | $ 276,526 |
| **Deferred Exploration Costs** | | | | | | | |
| July 31, 2015 | $ 329,843 | $ - | $ - | $ - | $ - | $ - | $ 329,843 |
| Additions | 8,562 | 8,562 | 2,854 | 2,853 | 2,854 | 2,854 | 28,539 |
| Impairment | - | - | - | - | (2,854) | (2,854) | (5,708) |
| July 31, 2016 | $ 338,405 | $ 8,562 | $ 2,854 | $ 2,853 | $ - | $ - | $ 352,674 |
| **July 31, 2016** | **$ 534,931** | **$ 68,562** | **$ 12,854** | **$ 12,853** | **$ -** | **$ -** | **$ 629,200** |

### (a) Fairview South Okanagan Property

On August 24, 2012, the Company entered into an option to acquire a 100% interest in a series of claims, collectively referred to as the Fairview South Okanagan Property, located in British Columbia. As consideration for the interest, the Company made cash payment of $25,000 and issued a total of 120,000 common shares. The value of the shares was recorded at $120,000, representing the fair value of the shares at the time of issuance. The Company also incurred $5,000 in legal and paid a $5,000 finder's fee in association with acquiring the interest.

On February 24, 2015, the Company entered into an agreement to acquire a 100% interest in additional mineral claims comprising 760.1 hectares. As consideration, the Company issued 120,000 common shares valued at $30,000, representing the fair value of the shares at the time of issuance.

**8. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

**(a) Fairview South Okanagan Property (continued)**

On August 6, 2015, the Company entered into a purchase agreement to acquire 100% undivided interest in one mineral title comprising 21.12 hectares located in British Columbia. As consideration, the Company has issued 60,000 of its common shares valued at $6,000, representing the fair value of the shares at the time of issuance.

During the year ended July 31, 2017, the Company incurred $2,700 (2016 – $8,562) for consulting and exploration services performed on the project.

Included in loans payable at July 31, 2017 is a $10,000 loan which is secured by 10% of 4 mineral claims of the Fairview South Okanagan Property (Note 12).

**(b) San Bernardino Claims**

On May 27, 2014, the Company acquired a 100% interest in 6 placer claims located in San Bernardino County, California. In consideration for the claims, the Company issued 200,000 common shares and a further 40,000 common shares as a finder's fee. The common shares were valued at $60,000, being the fair value of the common shares at the time of issuance.

During the year ended July 31, 2017, the Company incurred $2,700 (2016 – $8,562) for consulting and exploration services performed on the project.

**(c) Trout Lake, Bonanza & Bralorne Property**

On February 9, 2015, the Company entered into an agreement with Turnagain Resources Inc. and 0998601 B.C. Ltd. to acquire a 100% interest in four mineral claims in the Bralorne – Pioneer area of southern British Columbia. As consideration, the Company issued 200,000 common shares and agreed to a cash payment of $10,000. The common shares were valued at $50,000, representing the fair value of the shares at the time of issuance. During the year ended July 31, 2015, the Company dropped three of the four mineral claims acquired. The $10,000 cash payment has not yet been paid and is included in loans payable at July 31, 2017 and 2016.

On March 11, 2015, the Company entered into an agreement with the same vendors to acquire a 100% interest in one additional mineral claim. As consideration, the company issued 80,000 common shares and agreed to pay cash of $5,000. The common shares were valued at $20,000, representing the fair value of the shares at the time of issuance. The $5,000 cash payment has not yet been paid and is included in loans payable at July 31, 2017 and 2016.

On August 7, 2015, the Company entered into a purchase agreement with Turnagain Resources Inc. and 0998601 BC Ltd. with respect of acquiring 100% undivided interests in the Trout Lake, Bonanza and Bralorne properties comprising 7 mineral claims covering 614.54 hectares were approved. In consideration of the properties, the Company has issued 300,000 shares valued at $30,000.

During the year ended July 31, 2016, the Company decided not to focus its exploration efforts on the Bralorne property. The Company wrote off all costs associated with the Bralorne property effective July 31, 2016. Despite the write off costs, the Company retains its main land position in the Bralorne area, and may initiate exploration at a future date. Assessment work is sufficient on most claims to continue holding the claims.

As at July 31, 2017, the Company retains interest in the Trout Lake and Bonanza properties. During the year ended July 31, 2017, the Company incurred a total of $7,960 (2016 – $8,652) for consulting and exploration services performed on these properties and incurred $Nil (2016 – $Nil) in maintaining tenures.

**8. EXPLORATION AND EVALUATION ASSETS (CONTINUED)**

**(d) Canadian & Augustus**

On September 30, 2016, the Company entered into an option to acquire an undivided 100% interest in 16 mineral title claims located in Northwestern Quebec. As consideration, the Company is required to issue a total of 2,000,000 common shares in instalments over five years, make cash payments totaling $200,000 in instalments over three years and incur exploration expenditures on the Property totaling $1,500,000 over three years. Furthermore, the Company is to issue an additional 1,000,000 shares subject to calculated proven economic reserves. During 2017, the Company paid $20,000 cash and issued 500,000 shares valued at $37,500 in accordance with the agreement. As at July 31, 2017 the Company was not in compliance with the schedule of payment terms and the $68,150 carrying value of the property was written-off because the option agreement was not in good standing.

***(e)* Norbeau Gold**

On March 1, 2017, the Company obtained an option to acquire 100% interest in the Norbeau Gold Property, Chibougamau region, northwestern Quebec, Canada.

The option to acquire a 100% interest in the property includes payment requirements of $25,000 (paid) and a series of six payments of $12,500 due at the end of each quarter from July 31, 2017 to October 31, 2018. The Company has paid the first $12,500 quarterly amount. Additional payments are required of $40,000 on July 31, 2019 and $80,000 on July 31, 2020. A 2% net smelter royalty is retained by the Vendor, subject to purchase at any time of 1% for $1 million. The option includes exploration expenditure requirements on the property of $200,000 by July 31, 2018 and $1 million on or before July 31, 2020. On June 12, 2017, the Company issued 500,000 shares valued at $37,500 in accordance with this agreement and a further 500,000 shares are required to be issued on the second and third anniversary dates of the agreement.

On July 20, 2017, the Company entered into an Earn in Agreement with ITOCO Mining Corp (“ITOCO”) whereby ITOCO shall acquire the Norbeau Earn in Agreement from the Company and the Company shall retain a 5% net profit interest in the Norbeau Property (Note 5). In evaluating the proceeds receivable from ITOCO to complete the Norbeau Gold Property sale, the fair market value of the shares and value of cash received indicate a nominal amount being attributed to the Norbeau Property and as a result the carrying value of the property has been written-down to $1 as at July 31, 2017.

## 9. SHARE CAPITAL

### (a) Common Shares

Authorized:

An unlimited number of common shares
An unlimited number of preferred shares

### (b) Share Capital

For the year ended July 31, 2017:

i. On August 10, 2016, the Company completed a share consolidation on the basis of 25 old shares for 1 new share. This share consolidation has been retroactively presented in these financial statements and all share amounts, including per share amounts, reflect the share consolidation.

ii. The Company closed a number of private placements and issued 9,440,026 units at $0.10 per unit for gross proceeds of $944,003. $479,003 of these proceeds were received prior to July 31, 2016 and were recorded as share subscriptions received on the statement of financial position at July 31, 2016. Each unit consists of one common share and one share purchase warrants exercisable at $0.30 per share for a period of one year.

iii. The Company issued 1,000,000 common shares pursuant to mineral property agreements valued at $72,500.

iv. The Company issued 4,947,240 units to existing shareholders of the Company to settle amounts payable and debt totaling $465,904. Each unit consists of one common share and one transferable common share purchase warrant exercisable at a price of $0.30 per share for a period of one year. The units were recorded at a fair value of $423,060. The $42,844 difference between the fair value of the units and carrying value of the amounts payable and debt was recorded to equity reserves as a capital transaction because the settlement occurred related parties and shareholders.

v. The Company issued 760,000 units to directors, officers and a technical advisor in exchange for services. Each unit consists of one common share and one transferable common share purchase warrant exercisable at a price of $0.30 per share for a period of one year. The units were recorded at a fair value of $98,535.

vi. The Company issued 4,555,350 shares to existing shareholders of the Company to settle amounts payable totaling $398,780. The shares were recorded at fair value of $336,902. The $61,878 difference between the fair value of the units and the amounts payable was recorded to equity reserves as a capital transaction because the settlement occurred with shareholders.

vii. The Company issued 4,000,000 shares in accordance with a share exchange agreement dated July 20, 2017, see Note 5.

For the year ended July 31, 2016:

i. On August 12, 2015, the Company issued 960,000 common shares pursuant to mineral property agreements valued at $96,000.

## 9. SHARE CAPITAL (CONTINUED)

### (b) Warrants

A summary of warrant activity for the years ended July 31, 2017 and 2016 is as follows:

| | Number of warrants | | Weighted-average exercise price |
|---|---|---|---|
| Outstanding, July 31, 2015 | 1,285,832 | $ | 0.56 |
| Warrants Expired | (367,269) | | 0.25 |
| Outstanding, July 31, 2016 | 918,563 | | 2.10 |
| Issued | 15,147,266 | | 0.30 |
| Expired | (918,563) | | 2.10 |
| Outstanding, July 31, 2017 | 15,147,266 | $ | 0.30 |

On October 20, 2016, 622,403 warrants expired unexercised. $Nil was transferred from warrants to equity reserve on expiration.

On May 23, 2017, 296,160 warrants expired unexercised. $224,178 was transferred from warrants to equity reserve on expiration.

A summary of warrants outstanding as at July 31, 2017 is as follows:

| Grant date | Expiry date | Number of Warrants | Exercise Price | Estimated Fair Value |
|---|---|---|---|---|
| September 28, 2016 | September 28, 2017 | 3,420,026 | $ 0.30 | 102,601 |
| November 9, 2016 | November 9, 2017 | 2,930,000 | $ 0.30 | 29,300 |
| November 17, 2016 | November 17, 2017 | 4,997,240 | $ 0.30 | 6,645 |
| December 17, 2016 | December 18, 2017 | 545,000 | $ 0.30 | - |
| February 14 2017 | February 14, 2018 | 1,295,000 | $ 0.30 | 12,950 |
| June 12, 2017 | June 12, 2018 | 250,000 | $ 0.30 | 16,133 |
| June 12, 2017 | June 12, 2018 | 500,000 | $ 0.30 | 15,000 |
| July 28, 2017 | July 28, 2018 | 750,000 | $ 0.30 | 18,750 |
| July 28, 2017 | July 28, 2019 | 460,000 | $ 0.30 | 13,052 |
| Balance, July 31, 2017 | | 15,147,266 | | 214,431 |

As at July 31, 2017, the weighted average remaining expected life of issued and outstanding warrants was 0.19 years (July 31, 2016 – 0.38 years).

## 9. SHARE CAPITAL (CONTINUED)

### (c) Stock Options

The Company has established a stock option plan pursuant to which options to purchase common shares may be granted to certain officers, directors, and employees of the Company as well as persons providing ongoing services to the Company. The maximum number of common shares reserved for issuance upon the exercise of options is not to exceed 20% of the total number of common shares outstanding immediately prior to such an issuance. No more than 5% of the issued shares of the Company may be granted to any one insider and no more than 10% of the issued and outstanding shares may be issued to insiders in aggregate during any 12-month period. No more than 2% of the issued shares of the Company may be granted to any one consultant during any 12-month period. The options are non-transferable and non-assignable and may be granted for a term not exceeding five years. The exercise price of options equals the market price of the Company's stock on the date of grant. Under the plan, the Board of Directors has the choice of either vesting or allowing options issued to be exercisable upon issuance. Options are normally issued for two to five-year terms.

A summary of stock option activity for the years ended July 31, 2017 and 2016 is as follows:

| | Options Outstanding | | Weighted Average Exercise Price |
|---|---|---|---|
| Balance, exercisable and outstanding July 31, 2015 | 372,000 | $ | 1.59 |
| Options expired | (84,000) | | 1.25 |
| Balance, exercisable and outstanding July 31, 2016 | 288,000 | $ | 1.58 |
| Options issued | 4,000,000 | | 0.08 |
| Options expired | (44,000) | | 2.00 |
| Balance, exercisable and outstanding July 31, 2017 | 4,244,000 | $ | 0.16 |

During the year ended July 31, 2017, 4,000,000 stock options were granted to directors, officers, and managers while no stock options were granted during the year ended July 31, 2016. The estimated fair value associated with the stock options granted was determined using the Black-Scholes Option Pricing Model with the following assumptions: stock price at grant date of $0.075; an annualized volatility of 300.83%; an expected life of 2.5 years; a dividend yield of 0%; a forfeiture rate of 0%; and a risk free rate of 1.31%.

During the year ended July 31, 2017, 44,000 (July 31, 2015 – 84,000) stock options expired unexercised.

As at July 31, 2017 the following stock options were outstanding and exercisable:

| Grant Date | Number of Options Outstanding and Excercisable | Expiry Date | Exercise Price | | Estimated Grant Date Fair Value |
|---|---|---|---|---|---|
| October 17, 2013 | 244,000 | October 16, 2018 | $ | 1.500 | $ 177,120 |
| July 28, 2017 | 4,000,000 | July 27, 2022 | $ | 0.075 | $ 294,864 |
| July 31, 2017 | 4,244,000 | | | | |

As at July 31, 2017, the weighted average remaining expected life of issued and outstanding options was 4.77 years (2016 – 1.94 years).

## 9. SHARE CAPITAL (CONTINUED)

### (d) Shares to be issued

*Common share subscriptions*

As at July 31, 2016, the Company had received $301,319 in advance proceeds for share unit subscriptions and was to issue a further $177,684 of share units as debt financing fee (see Note 9). The total amount of units were issued as part of a private placement which closed during the 2017 fiscal year. As at July 31, 2017, there were no subscriptions received for share units to be issued.

*Preferred share subscriptions*

Preferred share subscriptions received by the Company has been classified as a liability on the statement of financial position as the issuance of preferred shares is uncertain. The total liability relating to preferred share subscriptions cummulatively received is $289,000 as of July 31, 2017 (July 31, 2016 - $289,000).

## 10. PROVISIONS

| | | Relating to Flow-Through Shares |
|---|---|---|
| **Balance at July 31, 2016 and 2015** | $ | 271,355 |
| Additional interest charges | | 3,285 |
| **Balance at July 31, 2017** | **$** | **274,640** |

The Company raised capital through the issuance of flow-through shares in 2012, which provided indemnity to the shareholders for additional taxes payable if the Company was unable to, or failed to, renounce the qualifying expenditures as agreed, without limiting the recourse of the subscriber. The Company was not able to spend $527,315 of the flow-through funds raised. The Company is exposed to costs for the indemnification of the shareholders and Part XII.6 tax liability. The Company estimated the potential shareholder indemnification liability is in the amount of $205,653 and the Part XII.6 liability is $68,987. To estimate the potential indemnification liability, management used a combined tax rate of 39% of unspent flow-through funds raised.

The accrued amounts are subject to measurement uncertainty due to the tax filing positions of the subscribers, their tax rates and the amount of personal taxes that may be payable and the, interpretation of the indemnity agreements, which will not be known until potentially affected subscribers are reassessed for their tax positions by the Canada Revenue Agency (“CRA”) and these amounts become known to the Company. During the year ended July 31, 2017, the Company recorded $3,285 (2016 - $3,208) in interest charge using CRA prescribed interest rate on the outstanding balance. The balance as at July 31, 2017 is $274,640 (2016- $271,355).

## 11. RELATED PARTY TRANSACTIONS AND BALANCES

During the year ended July 31, 2017, the Company issued 2,730,500 units to settle $273,050 in amounts due to related parties. The $39,533 difference between the fair value of the units and carrying value of the liability has been recorded to equity reserves as a capital transaction because the settlement occurred with related parties as shareholders.

As at July 31, 2017, the Company had $7,000 (July 31, 2016 - $798,533) due to related parties which comprised of current directors, officers, and management. All amounts due to related parties are unsecured, non-interest bearing and due on demand.

On November 17, 2016, the Company granted 50,000 units in connection with shares issued to a former Director for services. The value assigned to the shares and warrants was $8,350.

During the year ended July 31, 2017, 590,000 units were accrued to officers and management as part of their management service agreements. The value assigned to the shares and warrants was $46,000 and $17,985 respectively.

## 11. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

On July 28, 2017, the Company awarded 4,000,000 stock options to related parties which comprised of current directors, officers, and management and assigned a value of $294,864, see Note 9(c).

Key management compensation

The Company considers its directors and officers to be key management personnel and compensation earned by key management for the 2017 and 2016 year-ends is as follows:

| | 2017 | 2016 |
|---|---|---|
| Salary and bonuses | $ 167,887 | $ 269,450 |
| Share based compensation | 358,849 | - |
| Directors fees | 8,350 | - |
| Financing fees | - | 177,684 |
| Total | $ 535,086 | $ 447,134 |

## 12. LOANS PAYABLE AND PROMISSORY NOTE PAYABLE

*Loans payable*

As at July 31, 2017, the Company had loans payable to arm's length parties in the gross amount of $54,720 (July 31, 2016 - $213,794). Loans making up $44,720 of the balance at July 31, 2017 are interest free, unsecured and payable on demand. A loan in the amount of $10,000, which makes up the remaining balance at July 31, 2017 and 2016, is secured by 10% of four mineral claims (Note 8 (a)), is due on demand and non-interest bearing.

*Promissory notes payable*

During the year ended July 31, 2014, the Company entered into a promissory note agreement with a vendor who had previously provided exploration services on the Company's Fairview South Okanagan and English Bay Properties. Pursuant to the agreement, $51,580 was converted from accounts payable to a formalized promissory note repayable at the earlier of:

a) Receipt of approximately $100,000 or more in financing by the Company; or

b) Any specific investment received by the Company specifically for the continued work on the Fairview South Okanagan Property.

The promissory note is non-interest bearing and unsecured.

The amount outstanding as at July 31, 2017 and July 31, 2016 was $51,580. As at July 31, 2017, the note remained in default.

## 13. WRITE-OFF OF INVESTMENT

During the year ended July 31, 2017, the Company invested $53,000 (July 31, 2016 - $26,000) in an arm's length private company. The fair value of the investment was determined to be a nominal amount as at July 31, 2017 and as a result the entire amount was written off.

## 14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash investing and financing transactions during the year ended July 31, 2017 were as follows:

(a) The Company issued 1,000,000 common shares valued at $72,500 for exploration and evaluation assets (Note 8(d) and 8(e));
(b) The Company issued 9,502,590 common shares and 4,947,240 common share purchase warrants for settlement of debt totaling $864,684 (Note 9(b)); and
(c) The Company issued 760,000 common shares and warrants valued at $65,250 and $33,285, respectively for services rendered to the Company (Note 9(b)).

The significant non-cash investing and financing transactions during the year ended July 31, 2016 were as follows:

(d) The Company issued 960,000 common shares valued at $96,000 for exploration and evaluation assets (Note 8(b));
(e) The Company incurred debt financing fees of $177,684 to the current President of the Company (Note 11), which were settled in a private placement (Note 8(c))

During the years ended July 31, 2017 and 2016 the Company has not paid any cash for interest expenses or income taxes.

## 15. COMMITMENTS AND CONTINGENCIES

**Environmental Contingencies**

The Company's mining and exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

**Flow-through Expenditures**

On February 27, 2012, pursuant to the issuance of 367,257 flow-through units, the Company renounced $642,700 of qualified exploration expenditures to flow-through shareholders which it was to expend by December 31, 2012. As at that date, the Company had spent $115,385.

The Company has agreed to indemnify the subscribers for any tax related amounts that become payable by the subscriber as a result of the Company not meeting its expenditure commitments.

**Lease Agreement**

The Company entered into a lease agreement with Regus for office space. The agreement was effective on March 28, 2017 and ends on March 31, 2019 with a monthly payment of approximately $2,500 per month. The estimated payments remaining on the lease total $50,000.

## 16. INCOME TAXES

A reconciliation of income taxes at the 26% statutory rate with the reported taxes is as follows:

| | 2017 | 2016 |
|---|---|---|
| Loss for the year | $ (1,175,664) | $ (847,993) |
| Expected income tax (recovery) at the statutory rate | $ (306,000) | $ (220,000) |
| Permanent differences and others | 87,000 | 46,000 |
| Change in unrecognized deductible temporary differences | 219,000 | 174,000 |
| **Income tax expense (recovery) per financial statements** | $ - | $ - |

The significant components of the Company's potential deferred tax assets and liabilities are as follows:

| | 2017 | 2016 |
|---|---|---|
| Deferred Tax Assets (Liabilities) | | |
| Exploration and evaluation assets | $ 2,163,000 | $ 2,127,000 |
| Property and equipment | 5,000 | 5,000 |
| Share issue costs | 1,000 | 2,000 |
| Investment in shares | 21,000 | 7,000 |
| Non-capital losses available for future period | 1,309,000 | 1,139,000 |
| Capital loss carry forward | 27,000 | 27,000 |
| | 3,526,000 | 3,307,000 |
| Unrecognized deferred tax assets | (3,526,000) | (3,307,000) |
| **Net deferred tax assets** | $ - | $ - |

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

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

| | 2017 | Expiry Date Range | 2016 | Expiry Date Range |
|---|---|---|---|---|
| **Temporary Differences** | | | | |
| Exploration and evaluation assets and investment tax credit | $ 8,320,000 | No expiry date | $ 8,180,000 | No expiry date |
| Property and equipment | 22,000 | No expiry date | 20,000 | No expiry date |
| Share issue costs | 2,000 | 2016 to 2018 | 7,000 | 2016 to 2018 |
| Investment in shares | 79,000 | No expiry date | 26,000 | No expiry date |
| Non-capital losses | 5,034,000 | 2026 to 2037 | 4,379,000 | 2026 to 2036 |
| Capital losses | 210,000 | No expiry date | 210,000 | No expiry date |

## 16. SEGMENTED INFORMATION

The Company has two reportable geographic segments based on the Company's exploration of mineral properties in Canada and the United States.

| | Property and Equipment | Exploration and Evaluation Assets | Total |
|---|---|---|---|
| July 31, 2017 | | | |
| Canada | $ 848 | $ 571,299 | $ 572,147 |
| United States | - | 71,262 | 71,262 |
| | **$ 848** | **$ 642,561** | **$ 643,409** |
| July 31, 2016 | | | |
| Canada | $ 2,647 | $ 560,638 | $ 563,285 |
| United States | - | 68,562 | 68,562 |
| | **$ 2,647** | **$ 629,200** | **$ 631,847** |

## 17. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

*Fair value of financial instruments*

The Company's financial instruments include cash, trade payables, due to related parties, loans payable, promissory note payable, obligation for share subscriptions received and provisions. With the exception of cash, the carrying value of the Company's financial instruments approximate their fair values due to their relatively short periods to maturity. Cash is measured at fair value using level 1 inputs.

*Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's cash on bank deposit is exposed to credit risk. The Company has assessed the credit risk on its cash as low as its funds are held in highly rated Canadian financial institutions.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity by maintaining adequate cash balances and by raising equity financings. The Company has no assurance that such financings will be available on favorable terms. The Company has liquidity risk due to its working capital deficiency. In general, the Company attempts to avoid exposure to liquidity risk by obtaining corporate financing through the issuance of common shares.

As at July 31, 2017 the Company had cash of $11,748 (July 31, 2016 - $48) to settle current liabilities of $1,482,047 (July 31, 2016 - $2,026,468) which fall due for payment within twelve months of the statement of financial position. All of the Company's contractual obligations are current and due within one year.

*Foreign exchange risk*

Foreign exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not believe that it is subject to significant foreign exchange risk, and does not hold any funds in foreign currencies as at July 31, 2017 (July 31, 2016 – $Nil).

## 17. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (CONTINUED)

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. Management considers the interest rate risk to be minimal as at and for the year ended July 31, 2017.

*Capital management*

The Company's objective in managing its capital, which is comprised of debt and equity, is to safeguard all cash resources by investing in government or bank instruments which can be liquidated promptly, and which yield acceptable rates of return, and also to issue from its treasury shares, warrants and options which can be converted to cash. Treasury issuances of shares, stock options and share purchase warrants are part of the Company's capital raising process and are issued when cash is required, ideally under favorable market conditions, and with regard to dilution of the Company's capital structure. The exercise of warrants and options are not under the control of the Company's management. All capital transactions are subject to approval of the Company's directors. The Company is not subject to externally imposed capital requirements.

The Company's approach to managing capital in 2017 remains unchanged from the year ended July 31, 2016.

## 18. SUBSEQUENT EVENTS

Subsequent to year-end the Company issued 4,808,110 common shares of the Company and 390,000 common share purchase warrants to settle $567,002 in amounts owing by the Company. The warrants are exercisable at a price of $0.30 per share for a period of one year.

Subsequent to year-end the Company issued 100,000 common shares and 100,000 share purchase warrants.

On August 25, 2017 the Company issued 1,050,000 common share purchase warrants with an exercise price of $0.30 and an expiry date two year from the date of issuance.

On October 30, 2017 the Company granted 3,000,000 stock options to directors and officers of the Company. The stock options have an exercise price of $0.04 with an expiry date of October 31, 2022