

# CRAZY HORSE



R E S O U R C E S I N C O R P O R A T E D

(An Exploration Stage Company)

## Condensed Interim Consolidated Financial Statements

For the Six Months Ended January 31, 2017

### Notice

*The following unaudited condensed interim consolidated financial statements of the Company for the period ended January 31, 2017 have been prepared in accordance with International Financial Reporting Standards and are the responsibility of the Company's management. The Company's independent auditors have not performed an audit or a review of these condensed interim financial statements.*

# Crazy Horse Resources Inc.

## Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

CRAZY HORSE



RESOURCES INCORPORATED

TSX.V: CZH

	Note	January 31, 2017	July 31, 2016
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 58,285	\$ 176,789
Amounts receivable		4,023	7,061
Prepaid expenses and deposits		3,567	11,428
<b>Total assets</b>		<b>65,875</b>	<b>195,278</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		80,712	58,721
Due to related parties	8	396,627	262,415
<b>Total liabilities</b>		<b>477,339</b>	<b>321,136</b>
<b>Shareholders' Equity (Deficiency)</b>			
Share capital		60,746,503	60,746,503
Reserves		354,000	354,000
Deficit		(61,511,967)	(61,226,361)
<b>Total shareholders' equity (deficiency)</b>		<b>(411,464)</b>	<b>(125,858)</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 65,875</b>	<b>\$ 195,278</b>

Nature of Operations and Going Concern (Note 1)

Approved on March 29, 2017 by the Board of Directors:

**"Devinder Randhawa"**

Devinder Randhawa, Director

**"Brian Lueck"**

Brian Lueck, Director

**Crazy Horse Resources Inc.**  
**Condensed Interim Consolidated Statements of Comprehensive Loss**

(Expressed in Canadian Dollars)



	Note	Three months ended January 31,		Six months ended January 31,	
		2017	2016	2017	2016
<b>General and administrative expenses</b>					
Audit and accounting		\$ 27,990	\$ 44,507	\$ 67,663	\$ 68,147
Consulting	8	45,000	45,000	90,000	90,000
Exploration and evaluation costs	4	42,364	44,899	83,976	89,802
Investor relations		3,635	4,743	3,915	4,963
Legal and professional		4,875	5,579	9,925	15,579
Office and administration	8	10,021	10,620	19,272	20,468
Foreign exchange loss (gain)		11,567	(7,231)	11,606	(3,694)
		<b>145,452</b>	<b>148,117</b>	<b>286,357</b>	<b>285,265</b>
<b>Loss before other items</b>		<b>(145,452)</b>	<b>(148,117)</b>	<b>(286,357)</b>	<b>(285,265)</b>
<b>Other income (expense)</b>					
Interest income		157	623	751	1,729
		<b>157</b>	<b>623</b>	<b>751</b>	<b>1,729</b>
<b>Net loss and comprehensive loss for the period</b>		<b>\$ (145,295)</b>	<b>\$ (147,494)</b>	<b>\$ (285,606)</b>	<b>\$ (283,536)</b>
<b>Basic and diluted loss per common share</b>		<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>		<b>48,586,059</b>	<b>48,586,059</b>	<b>48,586,059</b>	<b>48,586,059</b>

## Crazy Horse Resources Inc.

### Condensed Interim Consolidated Statements of Changes in Equity

Expressed in Canadian Dollars



TSX.V: CZH

	Common Shares		Share Option Reserves	Warrant Reserves	Deficit	Total
	Shares	Amount				
Balance as at July 31, 2015	48,586,059	\$ 60,746,503	\$ 6,729,396	\$ 354,000	\$ (64,302,972)	3,526,927
Net loss and comprehensive loss	-	-	-	-	(283,536)	(283,536)
Balance as at January 31, 2016	48,586,059	60,746,503	6,729,396	354,000	(64,586,508)	3,243,391
Transfer of share option reserve to deficit	-	-	(6,729,396)	-	6,729,396	-
Net loss and comprehensive loss	-	-	-	-	(3,369,249)	(3,369,249)
Balance as at July 31, 2016	48,586,059	60,746,503	-	354,000	(61,226,361)	(125,858)
Net loss and comprehensive loss	-	-	-	-	(285,606)	(285,606)
<b>Balance as at January 31, 2017</b>	<b>48,586,059</b>	<b>\$ 60,746,503</b>	<b>-</b>	<b>\$ 354,000</b>	<b>\$ (61,511,967)</b>	<b>(411,464)</b>

**Crazy Horse Resources Inc.**  
**Condensed Interim Consolidated Statements of Cash Flows**

(Expressed in Canadian Dollars)

CRAZY HORSE



RESOURCES INCORPORATED

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	Note	Three months ended January 31,		Six months ended January 31,	
		2017	2016	2017	2016
<b>Cash used in operating activities</b>					
Net loss for the period		\$ (145,295)	\$ (147,494)	\$ (285,606)	\$ (283,536)
<b>Changes in non-cash working capital items</b>					
Amounts receivable		1,205	1,027	3,038	1,334
Prepaid expenses and deposits		4,134	(6,970)	7,861	(16,392)
Accounts payable and accrued liabilities		(28,764)	10,350	21,992	(6,058)
Due to related parties	8	104,275	20,000	134,212	60,000
Cash used in operating activities		<b>(64,446)</b>	<b>(123,088)</b>	<b>(118,504)</b>	<b>(244,653)</b>
<b>Net decrease in cash and cash equivalents</b>					
		<b>(64,446)</b>	<b>(123,088)</b>	<b>(118,504)</b>	<b>(244,653)</b>
Cash and cash equivalents, beginning of period		122,731	460,545	176,789	582,110
Cash and cash equivalents, end of the period		\$ 58,285	\$ 337,457	\$ 58,285	\$ 337,457

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**Crazy Horse Resources Incorporated.**

Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended January 31, 2017

(Unaudited - Expressed in Canadian Dollars)

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**1. Nature of Operations and Going Concern**

Crazy Horse Resources Inc. (the "Company") is incorporated under the Business Corporations Act of British Columbia. The principal address and records office is 700-1620 Dickson Ave, Kelowna, British Columbia, V1Y 9Y2. The registered office of the Company is 700-595 Howe St., Vancouver, B.C. V6C 2T5. The Company's common shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol "CZH".

The Company is an exploration stage company and engages principally in the acquisition, exploration and development of resource properties. The Company has yet to determine whether its exploration and evaluation assets contain economically viable ore reserves and there is no guarantee that mineral deposits will be discovered in the future. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon proving the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production and/or proceeds from the disposition thereof.

These condensed interim consolidated financial statements are prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Several conditions discussed below create a material uncertainty which casts significant doubt about the Company's ability to continue as a going concern.

At January 31, 2017, the Company had not achieved profitable operations, had an accumulated deficit of \$61,511,967 since inception, a working capital deficiency of \$411,464, and expects to incur further losses in the development of its business. The Company believes that, based on its cash flow forecasts, its ability to reduce certain expenditures, if required, and continued support from certain related parties, it will be able to continue as a going concern for at least the next twelve months. Management recognizes that the Company will need to obtain additional financial resources in order to meet its planned business objectives. There are no assurances that the Company will be able to obtain additional financial resources and/or achieve positive cash flows or profitability. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis, which values and statement of financial position classifications would differ significantly from the going concern basis.

These condensed interim consolidated financial statements for the six months ended January 31, 2017 were approved and authorized for issuance by the Board of Directors on March 27, 2017.

**2. Basis of Presentation**

These condensed interim consolidated financial statements are unaudited and have been prepared in accordance with International Accounting Standard IAS 34 - Interim Financial Reporting. They do not include all of the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended July 31, 2016, prepared in accordance with IFRS. The annual statements include information useful or necessary in understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies and the use of judgments and estimates are presented in Notes 2 and 3 of the annual statements. These policies, judgments and estimates have been consistently applied in the preparation of these condensed interim consolidated financial statements.

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**Crazy Horse Resources Incorporated.**

## Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended January 31, 2017

(Unaudited - Expressed in Canadian Dollars)

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The Company's condensed interim consolidated financial statements include the financial information of all subsidiaries subject to control by the Company. Control is achieved when the Company has the power to directly or indirectly govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. Intercompany balances, transactions and unrealized intercompany gains and losses are eliminated upon consolidation. The subsidiaries of the Company as at January 31, 2017 are:

<b>Name of Subsidiary</b>	<b>Principal Activity</b>	<b>Incorporation</b>	<b>Interest at January 31, 2017</b>
Asian Arc Mining Resources Corp.	Mineral Exploration	Philippines	100%
Crazy Horse Resources (BVI) Holdings Inc.	Holding Company	British Virgin Island	100%
Crazy Horse Resources (BVI) Philippines Inc.	Holding Company	British Virgin Island	100%
Taysan Port Corp.	Holding Company	Philippines	40%
Lupang Barako Development Inc.	Holding Company	Philippines	40%

These condensed interim consolidated financial statements have been prepared and presented in Canadian dollars ("CAD") on a historical cost basis and unless otherwise noted all figures are in Canadian dollars.

The functional currency of a company is CAD, the currency of the primary economic environment in which the company operates. The functional currency of the Company's subsidiaries are that of the parent company. Subsidiaries whose currency differ from that of the parent company ("foreign operations") are translated into Canadian dollars as follows: assets and liabilities – at the closing rate as at the balance sheet date and; income and expenses – at the average rate for the period. All resulting changes are recognized in other comprehensive loss as cumulative translation differences.

Transactions in foreign currencies are translated into the functional currency at exchange rates at the date of the transactions. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when acquired. All gains and losses on translation of these foreign currency transactions are included in the condensed interim consolidated statements of loss.

### **3. New Standards, Amendments and Interpretations**

The IASB has issued a number of new and revised International Accounting Standards, IFRS amendments and related interpretations which are effective for the Company's financial year beginning on or after August 1, 2016. None of the new or revised standards or amendments is expected to have any significant impact to the Company's financial statements.

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**Crazy Horse Resources Incorporated.**

Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended January 31, 2017

(Unaudited - Expressed in Canadian Dollars)

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**4. Mineral Property Interests****Taysan Project – Batangas, Philippines Property**

On November 12, 2010, the Company signed a property purchase agreement (the "Taysan Agreement") with Taysan Copper Corp. ("Taysan Copper") for the acquisition of a 100% interest in the advanced Taysan copper-gold porphyry project, located in Batangas province, Philippines, consisting of two exploration permits and three exploration permit applications covering a total of 11,309 hectares.

Under the terms of the Taysan Agreement, on November 12, 2010 the Company acquired at arm's length all of Taysan Copper's 100% interest in the project in exchange for (a) the issue of 20 million common shares of the Company to the shareholders of Taysan Copper, (b) the payment of US\$1.7 million, and (c) the grant of a 1.5% net smelter return royalty ("NSR"). The shares issued to Taysan Copper were valued at \$30,000,000 using a market value of \$1.50 per share which was determined by the closing market price of the Company on November 12, 2010. The Company issued 500,000 shares valued at \$750,000 as a finder's fee in connection with the acquisition of the Taysan project.

On August 1, 2010, the Company acquired all the outstanding shares of Asian Arc Mining Resources Corp. ("Asian Arc"), a Philippine registered entity. Asian Arc was acquired to hold the mineral rights to the Taysan project. The Company paid nominal consideration for the acquisition and assumed \$67,211 of liabilities that were expensed during the year ended July 31, 2011.

Due to uncertainties in the economic environment, the Company identified potential indications of impairment of the Taysan Project as at July 31, 2013 in accordance with IAS 36 - Impairment of Assets. The Company assessed the recoverable amount of the Taysan Project to be \$3,090,000 as at July 31, 2013, based on the project's value in use determined using a cash-flow forecast model with discount rates between 10-18%. Accordingly, the carrying value of \$31,738,930 was written down to \$3,090,000 resulting in an impairment loss of \$28,648,930, which was recorded as write-down of mineral property interest on the consolidated statements of loss for the year ended July 31, 2013.

The capitalized mineral property acquisition costs have been written down from \$3,090,000 to Nil as at July 31, 2016 as the current political environment is not conducive to mining in the Philippines.

The cumulative exploration and evaluation costs for the six months ended January 31, 2017 are:

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<b>Exploration and Evaluation</b>	<b>January 31, 2017</b>	<b>July 31, 2016</b>
Opening cumulative expenditure	\$ 17,198,407	\$ 17,025,101
Exploration and evaluation costs:		
Mobilization and camp costs	4,495	14,458
Permitting	79,481	158,848
Total exploration and evaluation costs	83,976	173,306
Ending cumulative expenditure	\$ 17,282,383	\$ 17,198,407

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**Crazy Horse Resources Incorporated.**

## Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended January 31, 2017

(Unaudited - Expressed in Canadian Dollars)

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**5. Shareholders' Equity****a) Authorized**

Unlimited number of common shares without par value.

**b) Stock Options and Warrants**

The Company has a share-holder approved stock option plan which allows the Board of Directors to grant stock options to directors, officers, employees, contractors and consultants. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less any applicable discount. The options can be granted for a maximum term of five years with vesting terms determined by the Board of Directors at the time of any grant.

As at January 31, 2017, warrants outstanding were:

Date issued	Number Outstanding	Exercise Price	Number Exercisable	Expiry Date
<b>Warrants</b>				
February 17, 2014	13,000,000	\$ 0.075	13,000,000	February 17, 2017
<b>As at January 31, 2017</b>	<b>13,000,000</b>	<b>\$ 0.075</b>	<b>13,000,000</b>	

**6. Segmented Information**

The Company has identified its operating segments based on the internal reports that are reviewed and used by the chief executive officer and executive management in assessing performance and in determining the allocation of resources. The Company considers the business from a geographic perspective and assesses the performance of the operating segments based on measures such as net property and equipment as well as operational results.

**a) Operating Segment**

The Company's operations are primarily directed towards the acquisition of mineral properties and exploration for metals in the Philippines.

**b) Geographic Segments**

The Company's geographic information as at January 31, 2017 and July 31, 2016 and for the six months ended January 31, 2017 and 2016 is:

	January 31, 2017		July 31, 2016	
	Canada	Philippines	Canada	Philippines
<b>Assets</b>				
Other assets	\$ 55,834	\$ 13,041	\$ 111,516	\$ 83,762
<b>Total assets</b>	<b>\$ 55,834</b>	<b>\$ 13,041</b>	<b>\$ 111,516</b>	<b>\$ 83,762</b>
<b>Expenses</b>				
Exploration expenses	\$ -	\$ 83,976	\$ -	\$ 89,802
Other operating expenses	188,313	14,068	194,097	1,366
Other (income) expenses	(751)	-	(1,729)	-
<b>Total expenses</b>	<b>\$ 187,562</b>	<b>\$ 98,044</b>	<b>\$ 192,368</b>	<b>\$ 91,168</b>

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**Crazy Horse Resources Incorporated.**

## Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended January 31, 2017

(Unaudited - Expressed in Canadian Dollars)

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**7. Capital Management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to pursue the exploration of its mineral properties, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

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. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future exploration of mineral property interest. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, and/or acquire or dispose of assets.

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

**8. Related Party Transactions**

Unless otherwise noted, amounts due to related parties were non-interest bearing, unsecured and had no fixed terms of repayment. The following related party transactions were in the normal course of operations and measured at the exchange amount, which is the amount established and agreed to by the related parties:

- a) Included in current liabilities is \$396,627 (July 31, 2016 – \$262,415) for management fees payable to related corporations with related directors and executives.
- b) During the six months ended January 31, 2017 and 2016, the Company incurred the following expenses paid or payable to key management personnel, directors, and companies with a common director or officer.

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	<b>Six months ended January 31,</b>	
Amounts paid or payable to key management personnel:	<b>2017</b>	2016
Management and consulting fees	\$ 91,140	\$ 91,140
Amounts included in exploration and evaluation assets	<u>79,481</u>	<u>79,905</u>
	<u>170,621</u>	<u>171,045</u>
Amounts paid or payable to other related parties:		
Office expenses	1,621	2,032
Rent	<u>2,250</u>	<u>2,250</u>
	<u>\$ 3,871</u>	<u>\$ 4,282</u>

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**Crazy Horse Resources Incorporated.**

Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended January 31, 2017

(Unaudited - Expressed in Canadian Dollars)

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**9. Financial Instruments**

The classification of the financial instruments and their carrying values as at January 31, 2017 and July 31, 2016 are:

	<u>January 31, 2017</u>	<u>July 31, 2016</u>
Loans and receivables	<b>62,307</b>	183,850
Financial liabilities	<b>477,339</b>	321,136

**a) Fair Value of Financial Instruments**

The fair value of cash, amounts receivable, accounts payables and accrued liabilities, and due to related parties approximates their carrying value due to their short-term maturity.

**b) Management of Risks Arising from Financial Instruments**

The Company is exposed to various types of market risks including, but not limited to:

**(i) Credit Risk** – Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to fulfill its contractual obligations. The Company's credit risk is associated primarily with its cash and cash equivalents and amounts receivables. The credit risk is minimized by placing cash with major financial institutions.

**(ii) 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 market interest rates. If interest rates decrease, the Company will generate less interest revenue. Presently the Company has minimal risk of realizing a loss as a result of a decline in the fair value of its financial instruments because of the short-term nature of the investments.

**(iii) Liquidity Risk** – Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company ensures that sufficient funds are raised from private placements to meet its operating requirements, after taking into account existing cash and anticipated exercise of share purchase options and warrants. The Company's cash is held in business accounts which are available on demand for the Company's programs. Accounts payable, accrued liabilities and amounts due to related parties are due within 12 months of the date on the statements of financial position.

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**Crazy Horse Resources Incorporated.**

## Notes to the Condensed Interim Consolidated Financial Statements

For the Six Months Ended January 31, 2017

(Unaudited - Expressed in Canadian Dollars)

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**(iv) Foreign Exchange Rate Risk** – The Company operates in Canada and the Philippines and is exposed to foreign exchange risk due to fluctuations in the Philippine pesos (“PhP”). Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in the foreign currency. At January 31, 2017 one Canadian dollar was equal to PhP 0.02622 (July 31, 2016: 0.02769). As at January 31, 2017 and July 31, 2016, the amounts that are subject to fluctuations, stated in Canadian dollars, are:

	January 31, 2017		July 31, 2016	
	Philippines Pesos	Canadian \$ Equivalent	Philippines Pesos	Canadian \$ Equivalent
Cash and cash equivalents	442,318	\$ 11,598	2,997,474	\$ 83,000
Prepaid expenses	55,000	1,442	27,500	761
Accounts payable and accrued liabilities	(5,312,801)	(139,302)	(2,648,893)	(73,348)
	<b>(4,815,483)</b>	<b>\$ (126,262)</b>	376,081	\$ 10,413

Based on the net exposures as of January 31, 2017 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian dollar against the Philippine pesos would result in a change in the Company’s net gain or loss to be approximately \$12,626 (July 31, 2016: \$1,041). The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.