Zonte Metals Inc.

Financial Statements
January 31, 2017 and 2016
(expressed in Canadian dollars)

May 19, 2017

Management's Responsibility for Financial Reporting

The accompanying financial statements of Zonte Metals Inc. (the "Company") are the responsibility of management and have been approved by the Board of Directors. The financial statements have been prepared by management in accordance with International Financial Reporting Standards. The financial statements include some amounts and assumptions based on management's best estimates which have been derived with careful judgment.

In fulfilling its responsibilities, management has developed and maintains a system of internal accounting controls. These controls are designed to ensure that the financial records are reliable for the preparation of the financial statements. The Audit Committee of the Board of Directors reviewed and approved the Company's financial statements, and recommended their approval by the Board of Directors.

(signed) "*Terry Christopher*"
President & Chief Executive Officer

(signed) "*Brian MacEachen*"
Chief Financial Officer

May 19, 2017

Independent Auditor's Report

To the Shareholders of
Zonte Metals Inc.

We have audited the accompanying financial statements of **Zonte Metals Inc.**, which comprise the statements of financial position as at January 31, 2017 and January 31, 2016 and the statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also 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 Zonte Metals Inc. as at January 31, 2017 and January 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2 of the financial statements which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about Zonte Metals Inc.'s ability to continue as a going concern.

(signed) *"PricewaterhouseCoopers LLP"*

Chartered Professional Accountants, Licensed Public Accountants

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Zonte Metals Inc.

Statements of Financial Position

As at January 31, 2017 and January 31, 2016

(expressed in Canadian dollars)

	2017 $	2016 $
Assets		
Current assets		
Cash and cash equivalents (note 7)	601,474	89,828
Prepaids and other receivables (note 8)	12,527	8,716
	614,001	98,544
Property and equipment (note 9)	322	790
Exploration and evaluation assets (note 10)	470,205	404,535
	1,084,528	503,869
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	59,240	25,457
Current portion of finance lease (note 12)	–	259
Amounts due to related parties (note 18)	56,000	56,000
Equity subscription advances (note 20)	572,000	–
	687,240	81,716
Amounts due to related parties (note 18)	823,228	585,228
	1,510,468	666,944
Shareholders' Equity (Deficiency)		
Share capital (note 14)	2,299,743	2,236,543
Warrants (note 15)	41,006	88,282
Contributed surplus	542,033	488,651
Deficit	(3,308,722)	(2,976,551)
	(425,940)	(163,075)
	1,084,528	503,869

Going concern (note 2)

Approved by the Board of Directors

(signed) "*Terry Christopher*", Director

(signed) "*Norman Eyolfson*", Director

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

Zonte Metals Inc.

Statements of Loss and Comprehensive Loss

For the years ended January 31, 2017 and 2016

(expressed in Canadian dollars)

	2017 $	2016 $
Operating expenses		
Management and consulting fees	254,344	250,110
Write-off exploration and evaluation assets	–	70,322
Transfer agent, listing and filing fees	22,771	16,935
Legal	2,637	35,719
Office and general	1,841	1,705
General exploration and due diligence	9,671	2,967
Travel and entertainment	3,250	–
Investor relations and shareholders communications	7,178	6,571
Audit and accounting	10,700	10,700
Insurance	8,877	8,975
Communications	3,863	3,202
Depreciation	923	4,416
Stock-based compensation	6,106	96,737
Foreign currency exchange loss	–	771
	332,161	509,130
Finance income (expenses)		
Interest income	130	597
Interest expense	(140)	(113)
	(10)	484
Net loss and comprehensive loss for the year	332,171	508,646
Loss per share – Basic and diluted	0.01	0.02
Weighted average outstanding shares		
Basic and diluted	26,638,554	25,243,492

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

Zonte Metals Inc.

Statements of Changes in Equity (Deficiency)

For the years ended January 31, 2017 and 2016

(expressed in Canadian dollars)

	Share capital $ (note 14)	Warrants $ (note 15)	Contributed surplus $	Deficit $	Total $
Balance – February 1, 2015	2,153,159	48,173	391,017	(2,467,905)	124,444
Net loss and comprehensive loss for the year	–	–	–	(508,646)	(508,646)
Stock-based compensation	–	–	96,737	–	96,737
Transactions with owners, recognized directly in equity:					
Issue of units for cash	86,472	41,338	–	–	127,810
Unit issue costs	(3,088)	(1,476)	–	–	(4,564)
Broker warrants issued	–	1,144	–	–	1,144
Expiry of broker warrants	–	(897)	897	–	–
Total transactions with owners	83,384	40,109	897	–	124,390
Balance – January 31, 2016	2,236,543	88,282	488,651	(2,976,551)	(163,075)
Balance – February 1, 2016	2,236,543	88,282	488,651	(2,976,551)	(163,075)
Net loss and comprehensive loss for the year	–	–	–	(332,171)	(332,171)
Stock-based compensation	–	–	6,106	–	6,106
Transactions with owners, recognized directly in equity:					
Issue of shares for property	63,200	–	–	–	63,200
Expiry of warrants	–	(47,276)	47,276	–	–
Total transactions with owners	63,200	(47,276)	47,276	–	63,200
Balance – January 31, 2017	2,299,743	41,006	542,033	(3,308,722)	(425,940)

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

Zonte Metals Inc.

Statements of Cash Flows

For the years ended January 31, 2017 and 2015

(expressed in Canadian dollars)

	2017 $	2016 $
Cash (used in) provided by		
Operating activities		
Net loss and comprehensive loss for the year	(332,171)	(508,646)
Adjustments for:		
Stock-based compensation	6,106	96,737
Depreciation	923	4,416
Write-off of exploration and evaluation assets	–	70,322
Interest income	(130)	(597)
Interest expense	140	113
Deferral of related party salaries	238,000	209,000
Changes in items of working capital:		
Prepaids and other receivables	(3,811)	(758)
Accounts payable and accrued liabilities	33,783	(4,825)
	(57,160)	(134,238)
Financing activities		
Equity subscription advances	572,000	–
Issuance of shares and warrants for cash, net of cash issuance costs	–	124,390
Finance lease payments	(259)	(969)
Interest expense	(140)	(113)
	571,601	123,308
Investing activities		
Purchases of and expenditures on exploration and evaluation assets	(2,470)	–
Property and equipment additions	(455)	–
Interest income	130	597
	(2,795)	597
Change in cash and cash equivalents	511,646	(10,333)
Cash and cash equivalents – Beginning of year	89,828	100,161
Cash and cash equivalents – End of year	601,474	89,828

Supplemental cash flow information (note 17)

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

(expressed in Canadian dollars)

1 Nature of business

Zonte Metals Inc. (the "Company") is a company incorporated and domiciled in Canada. The address of the Company's head office is 1969 Upper Water Street, Suite 2108, Halifax, Nova Scotia, B3J 3R7. The Company's common shares are listed on the TSX Venture Exchange (the "Exchange") under the trading symbol ZON. The Company is a mineral exploration company engaged in locating and acquiring mineral projects and exploring for mineralization and has not yet determined whether its exploration and evaluation assets contain mineral reserves that are economically recoverable.

2 Going concern

The Company's continuing operations and the underlying value and recoverability of the amounts shown for exploration and evaluation assets are dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its exploration property interests, and on future profitable production or proceeds from the disposition of the exploration property interests. To date, the Company has not earned any revenue.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

These financial statements have been prepared in accordance with International Financial Reporting Standards applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities and commitments in the normal course of business as they become due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, as described in the following paragraph. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

The Company is in the exploration stage and is subject to the risks and challenges similar to other companies in a comparable stage of exploration. These risks include, but are not limited to, dependence on key individuals, successful exploration results and the ability to secure adequate financing to meet the minimum capital required to successfully complete the project and continue as a going concern. For the year ended January 31, 2017, the Company incurred losses of $332,171 (2016 - $508,646) and as at January 31, 2017, had an accumulated deficit of $3,308,722 (2016 - $2,976,551). The Company has no income or cash flows from operations and at January 31, 2017, had working capital deficiency of $73,239 (2016 – positive working capital of $16,828). The ability of the Company to fulfill its commitments, meet its planned business objectives and continue as a going concern is dependent upon the ability of the Company to raise additional financing and upon successful results from its mineral property acquisitions and exploration activities. There is no assurance that these initiatives will be successful.

(expressed in Canadian dollars)

3 Basis of preparation

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of financial statements in accordance with Part I of the CPA Canada Handbook ("CPA Canada Handbook"). These financial statements were approved by the Board of Directors for issue on May 19, 2017.

4 Summary of significant accounting policies

The significant accounting policies used in the preparation of these financial statements are as follows:

a) Basis of measurement

The financial statements have been prepared under the historical cost convention.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Canadian dollars. The functional currency of the Company is also in Canadian dollars.

b) Foreign currency transactions

In preparing the financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with banks and other short-term highly liquid investments. Cash equivalents are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

d) Financial instruments

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

(expressed in Canadian dollars)

4 Summary of significant accounting policies (continued)

d) Financial instruments (continued)

(i) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise cash and cash equivalents and are included in current assets due to their short-term nature. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

(ii) Other financial liabilities at amortized cost: Other financial liabilities include accounts payable and accrued liabilities, amounts due to a related party and finance leases. After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

e) Impairment of financial instruments

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired.

The criteria used to determine if objective evidence of an impairment loss include:

(i) Significant financial difficulty of the obligor;

(ii) Delinquencies in interest or principal payments; and

(iii) It becomes probable that the borrower will enter bankruptcy or other financial reorganization.

If such evidence exists, the Company recognizes an impairment loss, as follows:

(i) Financial assets carried at amortized cost: The loss is the difference between the carrying amount of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

(expressed in Canadian dollars)

4 Summary of significant accounting policies (continued)

f) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statements of loss and comprehensive loss during the period in which they are incurred.

The major categories of property and equipment are depreciated on a straight-line basis as follows:

Office furniture and equipment	5 years
Computer equipment	3 years

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in the statements of loss and comprehensive loss.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

g) Exploration and evaluation assets

Exploration and evaluation expenditures include costs such as acquisition of rights to explore, geological, geochemical and geophysical studies, exploratory drilling, trenching, sample testing and the costs of pre-feasibility studies. These costs are capitalized on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project. The technical feasibility and commercial viability of a project is considered to be determinable when the costs are expected to be recovered in full through the successful development and exploration of the identified property. All capitalized exploration and evaluation expenditures are monitored for indications of impairment, to ensure that commercial quantities of reserves exist or that exploration activities related to the property are continuing or planned for the future. If an exploration property does not prove viable, all unrecoverable costs associated with the project are expensed.

Exploration and evaluation assets are not depreciated. These amounts are reclassified from exploration and evaluation assets to development costs, once the work completed to date supports the future development of the property and such development receives the appropriate approval. All subsequent expenditures to ready the property for production are capitalized within development costs, other than those costs related to the construction of property and equipment.

(expressed in Canadian dollars)

4 Summary of significant accounting policies (continued)

g) Exploration and evaluation assets (continued)

Exploration and evaluation expenditures incurred prior to the Company obtaining the right to explore are recorded as general exploration and due diligence expense in the statement of loss in the period in which they are incurred.

h) Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units; otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

i) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is recognized as a finance lease obligation within long-term debt.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

(expressed in Canadian dollars)

4 Summary of significant accounting policies (continued)

i) Leases (continued)

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

j) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at fair value of the equity instruments at the date of grant. Fair value is measured using the Black-Scholes pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed as services are rendered over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Equity-settled share-based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

k) Income tax

Income tax comprises current and deferred tax. Income tax is recognized in the statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the date of the statements of financial position and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred income tax assets and liabilities are presented as non-current.

(expressed in Canadian dollars)

4 Summary of significant accounting policies (continued)

l) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

m) Warrants

Proceeds on the issuance of warrants are recorded in a separate component of equity as the warrants give right to a fixed number of the Company's common shares. Costs incurred on the issuance of warrants are recognized as a deduction from warrant proceeds.

Warrants issued with common shares are measured at fair value at the date of grant using the Black-Scholes pricing model, which incorporates certain input assumptions including the share price, risk-free interest rate, expected warrant life and expected share price volatility. The fair value is included as a component of equity and is transferred from warrants to share capital on exercise.

n) Loss per share

The Company presents basic and diluted loss per share date for its ordinary shares. Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to ordinary shareholders and the weighted average number of shares outstanding adjusted for the effects of all dilutive potential ordinary shares. All share options and warrants are currently anti-dilutive. As a result, basic and diluted earnings per share are the same.

o) Segmented information

The Company's operations comprise a single reporting operating segment which is the acquisition and exploration for minerals, primarily gold. As the operations comprise a single reporting segment, amounts disclosed in the statements of loss and comprehensive loss for the years also represent segment amounts. At January 31, 2017 and 2016, all of the Company's mineral properties are located in Canada.

p) New and amended standards adopted by the Company

The following standard has been adopted by the Company for the financial year which began on February 1, 2015:

i) IFRIC 21, Levies

IFRIC 21 "Levies" ("IFRIC 21") has been amended to require entities to recognize a liability when payment is triggered under the terms of the relevant legislation. The Company adopted IFRIC 21 on February 1, 2015 on a retrospective basis. The adoption of IFRIC 21 had no impact on these financial statements.

(expressed in Canadian dollars)

4 Summary of significant accounting policies (continued)

q) Accounting standards issued but not yet adopted

The following new standards are not yet effective and have not been applied in preparing these financial statements. Accordingly, the Company expects to adopt these standards as set forth below:

i) IFRS 9, Financial Instruments

In July 2014, the IASB issued IFRS 9, *"Financial Instruments"* ("IFRS 9"). The IASB has previously published versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). The July 2014 publication represents the final version of the Standard, replaces earlier versions of IFRS 9 and substantially completes the IASB's project to replace IAS 39, *"Financial Instruments: Recognition and Measurement"*.

This standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only three classification categories: amortized cost and fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. The standard introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and it lowers the threshold for recognition of full lifetime expected losses. The new standard also introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity and aligns hedge accounting more closely with risk management. The new standard is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently evaluating the impact of this standard of its financial statements.

ii) IFRS 16, Leases

IFRS 16, "Leases" ("IFRS 16") a new standard on lease accounting, was issued on January 13, 2016 and replaces the current guidance in IAS 17. The new standard results in substantially all lessee leases being recorded on the statement of financial position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted as long as IFRS 15 "Revenue from Contracts and Customers" is concurrently adopted. The Company is currently evaluating the impact of this new standard on the Company's financial statement measurements and disclosures. The Company does not anticipate early adoption of this standard.

5 Critical accounting estimates and judgments

The preparation of these financial statements requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results may differ from these estimates. The more significant areas requiring the use of management estimates and assumptions are discussed below.

Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(expressed in Canadian dollars)

5 Critical accounting estimates and judgments (continued)

Recoverability of exploration and evaluation assets

At the end of each reporting period, the Company assesses each of its exploration and evaluation assets to determine whether any indication of impairment exists. Judgment is required in determining whether indicators of impairment exist, including factors such as, the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted and results of exploration and evaluation activities on the exploration and evaluation assets.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value of mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the Company does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through the use of, where available, comparison to similar market assets and, where available, industry benchmarks. Actual results may differ materially from these estimates.

Share-based payments

The Company makes certain estimates and assumptions when calculating the estimated fair values of stock options granted and warrants issued. The significant assumptions used include estimate of expected volatility, expected life, expected dividend rate and expected risk-free rate of return. Changes in these assumptions may result in a material change to the expense recorded for grants of stock options and the issuance of warrants.

Deferred income taxes

Deferred income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the statement of financial position and their corresponding tax values. Deferred income tax assets also result from unused loss carry- forwards and other deductions. To the extent the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recognized.

Going concern

The Company's assessment of its ability to continue as a going concern requires judgments about whether sufficient financing will be obtained in the near term. See Note 2.

(expressed in Canadian dollars)

6 Financial instruments and fair values

Measurement categories

As explained in note 4, financial assets and liabilities have been classified into categories that determine their basis of measurement. All financial assets and liabilities are measured at amortized cost. The carrying value of cash and cash equivalents, accounts payable and accrued liabilities, amounts due to a related party and finance lease approximate their fair value due to their short-term maturities.

Financial risk factors

(a) Market risk

i) *Foreign exchange risk*

The Company is not exposed to foreign exchange risk at this time.

ii) *Interest rate risk*

The Company's accounts payable and accrued liabilities are non-interest bearing and have contractual maturities of 30 days or less. As at January 31, 2017, the Company's interest bearing assets are cash equivalents. The Company's cash equivalents are cashable Guaranteed Investment Certificates ("GICs") that earn interest at prevailing short-term interest rates and are reinvested as they mature. During the year ended January 31, 2017, the Company earned interest income of $130 (2016 – $597). A plus or minus 1% change in interest rate would not have a material impact on the Company's statements of loss and comprehensive loss.

iii) *Price risk*

The Company is not exposed to any direct price risk other than that associated with commodities and how fluctuations impact companies in the mineral exploration and mining industries as the Company has no significant revenues.

(b) Credit risk

Credit risk is the risk that a customer or third party to a financial instrument fails to meet its commercial obligations.

The carrying amount of financial assets represents the maximum credit exposure. The Company manages credit risk by holding the majority of its cash and cash equivalents with AA rated banks in Canada, where management believes the risk of loss to be low.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due.

The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances to meet liabilities when due. As at January 31, 2017, the Company had cash and cash equivalents of $601,474 (2016 - $89,828) to settle current liabilities of $687,240 (2016 - $81,716). Refer to note 2 for further details.

(expressed in Canadian dollars)

7 Cash and cash equivalents

	2017 $	2016 $
Cash at bank and on hand	575,574	78,217
Guaranteed investment certificates	25,900	11,611
	601,474	89,828

8 Prepaids and other receivables

	2017 $	2016 $
Prepaids	5,985	6,363
Sales tax receivable	6,542	2,353
	12,527	8,716

9 Property and equipment

	Office furniture and equipment $	Computer equipment $	Total $
Year ended January 31, 2016			
Opening net book value	5,206	–	5,206
Depreciation for the year	(4,416)	–	(4,416)
Closing net book value	790	–	790
At January 31, 2016			
Cost	22,080	6,189	28,269
Accumulated depreciation	(21,290)	(6,189)	(27,479)
Net book value	790	–	790
Year ended January 31, 2017			
Opening net book value	790	–	790
Additions	–	455	455
Depreciation for the year	(790)	(133)	(923)
Closing net book value	–	322	322
At January 31, 2017			
Cost	22,080	6,644	28,724
Accumulated depreciation	(22,080)	(6,322)	(28,402)
Net book value	–	322	322

(expressed in Canadian dollars)

10 Exploration and evaluation assets

	Wings Point $	McConnell's Jest $	Total $
Balance – February 1, 2015	474,857	–	474,857
Write-off of exploration and evaluation assets	(70,322)	–	(70,322)
Balance – January 31, 2016	404,535	–	404,535
Additions during the year	2,470	63,200	65,670
Balance – January 31, 2017	407,005	63,200	470,205

Wings Point Project

The Wings Point Project (the "Project") consists of four mineral exploration licenses covering 68 claims and an area of approximately 1,700 hectares located in the Province of Newfoundland and Labrador in Canada. The Company's interests in the Project are summarized as follows:

Name	Claims	Hectares	Ownership interest
Wings Point North	30	750	Direct
Wings Point Extension	38	950	Direct

The Company acquired a 100% interest in the Wings Point North claims pursuant to an option agreement entered into in December 2010 and amended on October 8, 2013 and June 27, 2014 (the "Wings Point North Option"). The Wings Point North claims are covered by Newfoundland Exploration License 016270M which consists of 30 Mineral Exploration claims covering 750 hectares. Pursuant to the primary deal terms of the Wings Point North Option, the Company acquired a 100% interest in Wings Point North by:

- Making aggregate cash payments of $100,000;
- Issuing an aggregate of 1,600,000 common shares of the Company, of which 1,000,000 were issued on July 8, 2014 to complete the acquisition of the property under the terms of the June 27, 2014 property option amendment; and
- Granting a 3% Net Smelter Royalty ("NSR") on production from the Wings Point North Option, two-thirds of which can be bought back by the Company for $2,000,000.

(expressed in Canadian dollars)

10 Exploration and evaluation assets (continued)

The Company had previously staked an additional 96 claims covering 2,400 hectares, in surrounding and contiguous areas to Wings Point North (the "Zonte WPN Licenses") which were subject to the terms of the Wings Point North Option agreement. The Company reduced the size of the Zonte WPN Licenses from 326 claims to 96 claims during the year ended January 31, 2015 and abandoned the remaining 96 claims in the following year resulting in a pro-rata write-off of the carrying cost of the Zonte WPN Licenses of $70,322 during the year ended January 31, 2016.

Pursuant to the Wings Point North Option agreement, if the Company is able to identify one million ounces of gold, in the Measured and Indicated categories of a NI 43-101report, within the Wings Point North and Zonte WPN Licenses, an additional 300,000 shares will be issued and $6,638 finders' fees will be paid and if the Company is able to identify two million ounces of gold, in the Measured and Indicated categories of a NI 43101 report, within the Wings Point North and the Zonte WPN Licenses, an additional 400,000 shares will be issued and $8,850 finders' fees will be paid.

During the year ended January 31, 2017, the Company staked 38 claims covering 950 hectares (the “Wings Point Extension”). The Wings Point Extension is not subject to the Wings Point North Option Agreement.

<u>McConnell’s Jest Project</u>

The McConnell's Jest Project ("MJ Project") is located in the Yukon Territory about 65 km northeast of the town of Mayo and is comprised of 172 contiguous quartz claims covering approximately 3,371 hectares. The Company can earn a 100% interest in the MJ Project pursuant to an option agreement entered in December 2016 (the "MJ Option Agreement"). In order to earn a 100% interest in the MJ Project, the Company is required to:

- Make aggregate cash payments of $150,000 over a three-year period including $30,000 which was paid subsequent to year-end, $30,000 on the first anniversary of the MJ Option Agreement, $40,000 on the second anniversary of the MJ Option Agreement and $50,000 on the third anniversary of the MJ Option Agreement;

- Issue 1,500,000 common shares of the Company over a two-year period including 500,000 common shares which were issued in January 2017 and 500,000 shares on each of the first and second anniversary of the MJ Option Agreement; and

- Pay a 3% NSR on production from the MJ Project, two-thirds of which can be bought back by the Company for $2,000,000.

The MJ Option Agreement is subject to a 10% Finder's Fee that provides for the $15,000 Finder's Fee arising on the cash payments to the optionee to be paid 10% in cash and 90% in common shares of the Company based on the 5-day volume weighted average price of the Company's shares preceding the date of the cash payment. The Finder is also entitled to receive 150,000 common shares of the Company arising on the share consideration to the optionee. During January 2017, the Finder was issued 74,550 common shares and paid $300 subsequent to year-end.

(expressed in Canadian dollars)

11 Accounts payable and accrued liabilities

	2017 $	2016 $
Trade payables	39,503	5,720
Accrued expenses	19,737	19,737
	59,240	25,457

12 Finance lease

The Company entered into a five year lease agreement on May 1, 2011, for office equipment. Finance lease liabilities are payable as follows:

			2017 $			2016 $
	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than 1 year	–	–	–	263	4	259
Between 1 and 5 years	–	–	–	–	–	–
Total	–	–	–	263	4	259

(expressed in Canadian dollars)

13 Income taxes

The tax on the Company's loss before tax differs from the amount that would arise using the weighted-average tax rate applicable to losses as follows:

	2017 $	2016 $
Loss before taxes	(332,171)	(508,646)
Expected income tax recovery based on statutory rate	(103,000)	(157,700)
Non-deductible expenses	9,300	30,000
Unrecognized deferred tax assets	93,700	127,700
Recovery of income taxes	–	–

The Canadian weighted-average federal statutory rate for the year ended January 31, 2017 is 31% (2016 - 31%).

The significant components of the Company's deferred income tax are as follows:

	2017 $	2016 $
Deferred income tax liabilities		
Exploration and evaluation assets	(2,000)	–
Deferred income tax assets		
Non-capital losses	2,000	–
Net deferred income tax liabilitiy	–	–

The following deductible temporary differences and non-capital losses have not been recognized in the financial statements.

	2017 $	2016 $
Resource properties	–	31,400
Property and equipment	7,400	8,600
Amounts due to related parties	823,200	585,200
Share issue costs	1,700	7,500
Non-capital losses	2,181,200	2,077,000
	3,013,500	2,709,700

As at January 31 2017, the Company has non-capital losses to be carried forward and applied against taxable income of future years. The non-capital losses have expiry dates as follows:

		$
For the year ending January 31,	2030	57,100
	2031	276,600
	2032	612,500
	2033	476,300
	2034	277,600
	2035	194,300
	2036	182,200
	2037	104,600
		2,181,200

(expressed in Canadian dollars)

14 Share capital

a) Authorized

An unlimited number of common shares without par value.

b) Issued and outstanding

	Number #	Amount $
Balance at February 1, 2015	25,120,779	2,153,159
Issue of shares for cash (ii)	1,503,647	86,472
Share issue costs	–	(3,088)
Balance at January 31, 2016	26,624,426	2,236,543
Issue of shares for property (i)	574,550	63,200
Balance at January 31, 2017	27,198,976	2,299,743

i. Pursuant to the MJ Option Agreement, the Company issued 574,550 common shares in January 2017 including 500,000 common shares to the optionee and 74,550 common shares to the Finder.

ii. During December 2015 and January 2016, the Company closed a private placement and issued 1,503,647 Units at a price of $0.085 per Unit for total gross proceeds of $127,810. Each Unit was comprised of one common share and one common share purchase warrant, with each whole warrant entitling the holder thereof to acquire one common share of the Company at a price of $0.16 at any time prior to December 30, 2017. The proceeds were allocated pro rata between the common shares and the warrants based on the relative fair value of each with $41,338 allocated to the warrants. The following assumptions were used: risk-free interest of 0.47%, expected divided yield of 0%, expected stock volatility of 123% and a life of 2.0 years. Finder's Fees were paid to eligible finders' in the amount of $3,420 with $1,106 being allocated as warrant issue costs. Eligible finders' were also issued 40,240 Broker warrants. The Broker warrants are exercisable at an exercise price of $0.16 per warrant at any time prior to June 30, 2017. The fair value of the Broker warrants issued was determined to be $0.03 per warrant or $1,144 in the aggregate using the Black-Scholes option pricing model and was charged to share issue costs with $370 allocated to warrant issue costs. The following assumptions were used: risk-free interest rate of 0.48%, expected dividend yield of 0%, expected stock volatility of 115% and a life of 1.5 years.

(expressed in Canadian dollars)

14 Share capital (continued)

c) Stock options

The Company has adopted a stock option plan pursuant to which it may from time to time, at its discretion, and in accordance with Exchange requirements, grant to directors, officers and technical consultants, options (collectively, the "Stock Options") to purchase common shares, exercisable for a period of up to five years from the date of grant, provided that the number of common shares reserved for issuance does not exceed 10% of the Company's issued and outstanding common shares. The number of common shares reserved for issuance pursuant to the exercise of Stock Options will not exceed 2,719,897 common shares, unless the number of issued and outstanding common shares exceeds 27,198,976. The number of common shares reserved for issuance to any individual director or officer will not exceed 5% of the issued and outstanding common shares in any 12-month period, and the number of common shares reserved for issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares in any 12-month period. Stock Options may be exercised until the earlier of 5-years following the date of grant and 90 days following cessation of an optionee's position with the Company.

The following is a summary of stock option activity for the years ended January 31, 2017 and 2016:

	2017		2016	
	Number of options #	Weighted-average exercise price $	Number of options #	Weighted-average exercise price $
Beginning balance	2,410,000	0.08	1,940,000	0.11
Granted	–	–	1,900,000	0.07
Expired	–	–	(1,430,000)	0.11
Ending balance	2,410,000	0.08	2,410,000	0.08

As at January 31, 2017, the Company has outstanding stock options entitling the holders to acquire common shares as follows:

Weighted-average exercise price $	Number of options #	Number exercisable #	Weighted-average contractual life remaining $
0.07	1,900,000	1,900,000	3.8
0.10	510,000	510,000	1.0
0.08	2,410,000	2,410,000	3.2

As at January 31, 2017, 309,897 (2016 - 252,443) options remained available for future grants under the plan.

(expressed in Canadian dollars)

15 Warrants

The following is a summary of warrant activity for the years ended January 31, 2017 and 2016:

	2017			2016		
	Number #	Amount $	Weighted average exercise price $	Number #	Amount $	Weighted average exercise price $
Beginning balance	3,130,155	88,282	0.13	1,610,588	48,173	0.10
Issued for cash	–	–	–	1,503,647	41,338	0.16
Share issue costs	–	–	–	–	(1,476)	–
Broker warrants	–	–	–	40,240	1,144	0.16
Expired	(1,586,268)	(47,276)	(0.10)	(24,320)	(897)	(0.10)
Ending balance	1,543,887	41,006	0.16	3,130,155	88,282	0.13

During December 2015 and January 2016, the Company issued 1,503,647 common share purchase warrants and 40,240 broker warrants expiring on December 30, 2017, and June 30, 2017, respectively, in connection with a private placement unit offering.

16 Capital management

The Company considers the items included in equity as capital. Accordingly, the capital of the Company is ($0.4) million at January 31, 2017. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of exploration and evaluation 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 development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended January 31, 2017. The Company is not subject to externally imposed capital requirements.

(expressed in Canadian dollars)

17 Supplemental cash flow information

	2017 $	2016 $
Non-cash financing and investing transactions:		
Shares issued for acquisition of exploration property interests	63,200	–
Broker warrants issued pursuant to private placement	–	1,144
Share issuance costs	–	(774)
Warrant issuance costs	–	(370)

18 Related party transactions

During December 2015 and January 2016, the Company closed a private placement and issued 1,503,647 Units for total gross proceeds of $127,810. A Director of the Company purchased 60,000 of the Units issued pursuant to this financing for gross proceeds of $5,100. Close family members of a Director, as defined under IFRS, purchased 98,500 Units pursuant to this financing for gross proceeds of $8,373.

Each of the President and Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) have contractually agreed to the long-term deferral of a portion of their salary or fees and have also voluntarily agreed to the short-term deferral of a further portion of their salary or fees. The long-term deferral component extends to a date to be mutually agreed between the CEO, the CFO and the Board of Directors and may be settled through a combination of cash and shares.

Included in amounts due to related parties at January 31, 2017 is $647,978 (2016 - $481,978) payable to the CEO, including $595,978 (2016 - $429,978) related to a long-term deferral agreement and included in long-term liabilities and $52,000 (2016 - $52,000) related to a voluntary short-term deferral and included in current liabilities.

Included in amounts due to related parties at January 31, 2017 is $231,250 (2016 - $159,250) payable to the CFO, including $227,250 (2016 - $155,250) related to a long-term deferral agreement and included in long-term liabilities and $4,000 (2016 - $4,000) related to a voluntary short-term deferral and included in current liabilities.

19 Compensation of key management

Key management includes the Company’s directors, the President, CEO and CFO. Compensation awarded to key management included:

	2017 $	2016 $
Salaries and short-term employee benefits	247,000	247,000
Stock based compensation	–	94,724
	247,000	341,724

Compensation of key management is included in management and consulting fees in the statements of loss and comprehensive loss.

(expressed in Canadian dollars)

20 Subsequent events

a) During February 2017, the Company closed a private placement financing (the "2017 Private Placement") and issued 13,500,000 units (the "2017 Units") at a price of $0.10 per Unit for total gross proceeds of $1,350,000, of which $572,000 was received prior to year-end and recorded as an equity subscription advance on the statement of financial position. Each 2017 Unit was comprised of one common share and one-half common share purchase warrant (the "2017 Warrants") with each 2017 Warrant entitling the holder thereof to acquire one common share of the Company at a price of $0.18 at any time prior to July 31, 2018. In connection with the 2017 Private Placement, the Company issued 280,250 Finder Warrants (the "2017 Finder Warrants") and paid cash finders' fees aggregating $67,060. Each 2017 Finder Warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.18 per share at any time prior to July 31, 2018. The proceeds were allocated pro rata between the common shares and the warrants based on the relative fair value of each with $334,570 allocated to the 2017 Warrants. The following assumptions were used in the Black-Scholes valuation of the 2017 Warrants: risk-free interest rate of 0.76%, expected dividend yield of 0%, expected stock volatility of 143% and an expected life of 1.35 years.

   Share issue costs totaling $122,135, included cash Finder's Fee in the amount of $67,060, 2017 Finders Warrants valued at $47,575 and other financing costs of $7,500, with $30,269 being allocated as 2017 Warrant issue costs. 2017 Finder Warrants exercisable at an exercise price of $0.18 per warrant at any time prior to July 31, 2018. The fair value of the 2017 Finders Warrants issued was determined to be $0.17 per warrant using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 0.76%, expected dividend yield of 0%, expected stock volatility of 143% and an expected life of 1.5 years.

b) During February 2017, the Company granted incentive stock options to its directors, officers, employees and consultants to purchase an aggregate of up to 1,325,000 common shares of the Company. The stock options have a five-year term, subject to an 18-month vesting period and have an exercise price of $0.28 per share.

   At the grant date, the fair value of options was estimated to be $326,165 using the Black-Scholes option pricing model. The assumptions used in the pricing model were as follows: risk-free interest rate of 0.76%, expected dividend yield of 0%, expected stock volatility of 145% and an expected life of 4.5 years.

c) Subsequent to year-end, the Company issued 409,000 common shares pursuant to the exercise of 409,000 warrants at $0.16 per share including 60,000 warrants exercised by a Director of the Company.

d) Subsequent to year-end, the Company issued 100,000 common shares pursuant to the exercise of 100,000 stock options at $0.10 per share, including 100,000 options exercised by a former Director of the Company following his resignation.