QMC QUANTUM MINERALS CORP.

(An Exploration Stage Company)

CONDENSED INTERIM FINANCIAL STATEMENTS

For the Six Months ended February 28, 2017 and 2016

(Unaudited – Prepared by Management)

Expressed in Canadian Dollars

QMC QUANTUM MINERALS CORP.

CONTENTS

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited financial statements of QMC Quantum Mineral Corp. for the six months ended February 28, 2017 and 2016 have been prepared by management and have not been the subject of a review by the Company's independent auditor.

QMC QUANTUM MINERALS CORP.
(An Exploration Stage Company)
Statements of Financial Position
(unaudited)
(Expressed in Canadian Dollars)

		February 28, 2017		August 31, 2016
Current				
Cash	$	**21,397**	$	41,507
Other Receivables		**46,829**		2,595
Available-for-sale investments		**275**		175
Prepaid expenses and deposits		**104**		2,507
Reclamation deposit		**40,000**		40,000
		108,605		86,784
Exploration and evaluation assets – Note 3		**2,675,731**		2,572,399
	$	**2,784,336**	$	2,659,183
Current				
Accounts payable and accrued liabilities – Note 5	**$**	**1,764,664**	$	1,678,390
Loans and borrowing - Note 5		**188,230**		152,908
		1,952,894		1,831,298
SHAREHOLDERS' EQUITY				
Share capital – Note 4		**3,244,464**		3,134,464
Share subscriptions		**355,200**		355,200
Contributed surplus		**504,272**		504,272
Deficit		**(3,267,769)**		(3,161,226)
Accumulated comprehensive income (loss)		**(4,725)**		(4,825)
		831,442		827,885
	$	**2,784,336**	$	2,659,183

Nature of Operations and Going Concern – Note 1

APPROVED BY THE BOARD:

"Balraj Mann" Director — Balraj Mann

"Anthony Zelen" Director — Anthony Zelen

The accompanying notes are an integral part of these financial statements

QMC QUANTUM MINERALS CORP.
(An Exploration Stage Company)
Statements of Net and Comprehensive Loss
For the Three and Six Months ended February 28, 2017 and 2016
(Expressed in Canadian Dollars)

	For the Three Months Ended February 28,		For the Six Months Ended February 28,	
	2017	**2016**	**2017**	**2016**
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**
General and administrative costs				
Accounting and legal fees	**$ 1,500**	$ 2,017	**$ 3,000**	$ $ 3,517
Bank charges and interest	**31**	44	**384**	88
Consulting - Note 5	**32,048**	10,500	**45,648**	31,500
Insurance	**9,000**	9,000	**9,000**	9,000
Listing and filing fees	**8,904**	3,126	**12,005**	3,556
Office and miscellaneous – Note 5	**3,027**	3,149	**6,040**	6,149
Rent – Note 5	**9,536**	3,000	**16,880**	6,000
Shareholder communications	**-**	266	**10,473**	266
Travel	**397**	1,228	**3,113**	1,821
	64,443	32,230	**106,543**	61,897
Net Loss	**(64,443)**	(32,230)	**(106,543)**	(61,897)
Fair value increase (decrease) on available for sale investments	**125**	(50)	**100**	(50)
Net comprehensive income (loss) for the period	**(64,318)**	(32,280)	**(106,443)**	(61,947)
Basic and diluted gain (loss) per share	**$ (0.00)**	$ (0.00)	**$ (0.00)**	$ (0.00)
Weighted average number of shares outstanding	**30,155,869**	25,805,869	**30,155,869**	25,805,869

The accompanying notes are an integral part of these financial statements

QMC QUANTUM MINERALS CORP.
(An Exploration Stage Company)
Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Common Shares	Share Capital	Contribute Surplus	Share Subscriptions	Deficit	Accumulated Other Comprehensive Income (loss)	Total Shareholders' Equity
Balance, August 31, 2015	**25,805,869**	**$ 3,026,964**	**$ 504,272**	**$ 355,200**	**$ (2,092,069)**	**$ (4,900)**	**$ 1,789,467**
Fair value decrease on available for sale investments	**-**	**-**	**-**	**-**	**-**	**(50)**	**(50)**
Net loss for the period	**-**	**-**	**-**	**-**	**(61,897)**	**-**	**(61,897)**
Balance, February 29, 2016	**25,805,869**	**$ 3,026,964**	**$ 504,272**	**$ 355,200**	**$ (2,153,966)**	**$ (4,950)**	**$ 1,727,520**
Balance August 31 ,2016	**27,955,869**	**$ 3,134,464**	**$ 504,272**	**$ 355,200**	**$ (3,161,226)**	**$ (4,825)**	**$ 827,885**
Shares issued for cash	**2,200,000**	**110,000**	**-**	**-**	**-**	**-**	**110,000**
Fair value decrease on available for sale investments	**-**	**-**	**-**	**-**	**-**	**100**	**100**
Net loss for the period	**-**	**-**	**-**	**-**	**(106,543)**	**-**	**(106,543)**
Balance, February 28, 2017	**30,155,869**	**$ 3,244,464**	**$ 504,272**	**$ 355,200**	**$ (3,267,769)**	**$ (4,725)**	**$ 831,442**

The accompanying notes are an integral part of these financial statements

QMC QUANTUM MINERALS CORP.
(An Exploration Stage Company)
Statements of Cash Flows
For the Six Months ended February 28, 2017 and 2016
(Expressed in Canadian Dollars)

	For the Six Months ended February 28,	
	2017	2016
Operating Activities		
Net loss for the period	**$ (106,543)**	$ (61,897)
Changes in non-cash working capital balances:		
Other receivables	**(44,234)**	(225)
Prepaid expenses	**2,403**	
Accounts payable and accrued liabilities	**86,274**	104,038
Cash provided by (used in) operating activities	**(62,100)**	41,916
Investing Activities		
Expenditures on exploration and evaluation assets	**(103,332)**	(56,150)
Cash used in investing activities	**(103,332)**	(56,150)
Financing Activities		
Shares issued for cash	**110,000**	-
Loans advanced	**65,322**	16,000
Loans repaid	**(30,000)**	-
Cash provided by investing activities	**145,322**	16,000
Increase (decrease) in cash during the period	**(20,110)**	1,766
Cash, beginning of the period	**41,507**	449
Cash, end of the period	**$ 21,397**	$ 2,215

The accompanying notes are an integral part of these financial statements

Note 1 Nature of Operations

The Company was incorporated on November 7, 2003 under the laws of the Province of British Columbia and the Company commenced business operations on December 5, 2005 and changed its name on May 31, 2010 to QMC Quantum Minerals Corp. The Company commenced trading on the TSX Venture Exchange on February 28, 2011.

The Company is in the process of exploring and evaluating resource properties. The recoverability of the amounts shown for resource properties is dependent upon the existence of economically recoverable reserves, successful permitting, the ability of the Company to obtain the necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of each resource property. The carrying amounts of resource properties are based on costs incurred to date, and do not necessarily represent present or future values.

The address of the Company's corporate office and principal place of business is Suite 600, 666 Burrard Street, British Columbia, Canada V6C 2X8.

Going Concern

The Company has not yet determined whether any of its properties contain mineral deposits that are economically recoverable. The recoverability of any amounts shown as deferred mineral interest costs is 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 properties, and upon future profitable production or proceeds from the disposition of its properties.

While the Company's financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due, certain conditions and events indicate a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. For the six months ended February 28, 2017, the Company reported a net loss of $106,543 (2016 - $61,897) and as at that date had an accumulated deficit of $3,267,769 (August 31, 2016 - $3,161,226). As of February 28, 2017, the Company has working capital deficit of $1,844,289 (August 31, 2016 – working capital deficit of $1,744,514). The Company does not have sufficient funds available to bring its mineral properties to production, if possible, which would allow it to be self-sustaining. The Company will need additional financing to continue exploring, and if successful develop its properties to bring it to the production stage, While in the past the Company has been successful in obtaining funding from equity financings, option agreements, loans or through other arrangements, there is no assurance that these initiatives will be successful in the future which indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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 deemed to be inappropriate. These adjustments could be material.

Note 2 Significant Accounting Policies

a) Statement of Compliance

These condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim financial statements should be read in conjunction with the annual audited financial statements for the year ended August 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

These condensed interim financial statements have been authorized for issuance on May 1, 2017 by the Board of Directors.

b) Accounting Standards Issued But Not Yet Effective

The Company has not applied the following new, revised and amended standards that have been issued but are not yet effective for the February 28, 2017 reporting period:

- IFRS 9 Financial Statements, this new standard is a partial replacement of International Accounting Standard ("IAS") 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The proposed effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018.

  The IASB issued IFRS 15, Revenue from Contracts with Customers, which provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. This standard is effective for reporting periods beginning on or after January 1, 2018

  IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

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

  Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

Expressed in Canadian Dollars

Note 3 Exploration and Evaluation Assets

	Rocky Lake	Carrot River	Rocky Namew and Namew Lake Properties	Irgon Lithium Mine Property	Mugaha Property	Other Properties	Total
Balance, August 31, 2014	**$ 1,180,468**	**$ 716,796**	**$ 1,241,984**	**$ -**	**$ 238,090**	**$ -**	**$3,377,338**
Staking costs	-	-	7,388	-	-	-	7,388
Balance, August 31, 2015	**$ 1,180,468**	**$ 716,796**	**$ 1,249,372**	**$ -**	**$ 238,090**	**$ -**	**$3,384,726**
Acquisition costs	-	-	-	22,000	-	-	22,000
Geological & consulting	2,450	-	14,100	15,640	-	80,465	112,655
Staking costs	-	-	-	7,903		-	7.903
Impairment	-	(716,795)	-	-	(238,090)	-	(954,885)
Balance, August 31, 2016	**$ 1,182,918**	**$ 1**	**$ 1,263,472**	**$ 45,543**	**$ -**	**$ 80,465**	**$2,572,399**
Acquisition costs	**-**	**-**	**-**	**12,000**	**-**	**-**	**12,000**
Geological & consulting	**700**	**-**	**2,452**	**50,519**	**-**	**25,959**	**79,630**
Staking costs	**-**	**-**	**10,000**	**1,703**	**-**	**-**	**11,703**
Balance, February 28, 2017	**$ 1,183,618**	**$ 1**	**$ 1,275,924**	**$ 109,765**	**$ -**	**$ 106,424**	**$2,675,731**

Expressed in Canadian Dollars

Note 3 <u>Exploration and Evaluation Assets</u> – continued

Irgon Lithium Mine (Cat Lake) Property

On August 31, 2016, the Company entered into an option agreement with 101162742 Saskatchewan Ltd. whereby the Company has the exclusive right to acquire an undivided 100% right, title and interest in the Irgon lithium property in Manitoba. To exercise the option, the Company agreed to pay an aggregate of $46,500 and issue common shares in aggregate of $46,500 based the average closing price of the Company's shares for the immediately preceding 30 trading days, payable over a three year period as set out in the table below. The Company has the right to accelerate the payments and share issuances for earning its 100% interest. The property is subject to 2% royalty held by a director of the Company.

Date For Completion	Cash Payment	Dollar value of Shares To Be Issued[(1)]
Upon execution of the Agreement	$3,000 (paid)	$3,000[(2)]
On or before February 28, 2017	$6,000 (paid)	$6,000[(3)]
On or before August 31, 2017	$6,000	$6,000
On or before August 31, 2018	$12,000	$12,000
On or before August 31, 2019	$19,500	$19,500
Total	$46,500	$46,500

(1) Based on average closing price of the Company's shares for the immediately preceding 30 trading days.
(2) Shares to be issued – 54,205 based on the preceding 30-day average.
(3) Shares to be issued – 105,296 based on the preceding 30-day average.

Rocky Lake Property

On October 16, 2008, the Company entered into an amended and restated property option agreement (the "Rocky Lake Agreement") (replacing an agreement dated for reference April 5, 2006) with 4920776 Manitoba Ltd. ("4920776 Manitoba"), pursuant to which the Company acquired an option to acquire, subject to a net smelter return, a 100% interest in certain mining claims known as the Rocky Lake property located in Manitoba (the "Rocky Lake Property"). The Company has completed payments under the Rocky Lake Agreement, the Company has paid an aggregate of $292,500 and issued an aggregate of 300,000 common shares to 4920776 Manitoba.

The earned 100% interest in the Rocky Lake Property is subject to a 2.0% net smelter returns royalty (the "Rocky Lake NSR").

The Company has the right to purchase 1.0% of the Rocky Lake NSR for $1,000,000, which right may only be exercised during a five year period commencing on the later of the exercise of the Rocky Lake option and the date a bankable feasibility study is prepared and delivered to the Company. By agreement dated October 16, 2008, the Company assigned an additional 0.5% NS Royalty to a director of the Company.

Rock claims 14 to 21 expired on June 25, 2013 and there is no write down associated with the expiry of these claims. Rock claims 1 to 13 are in good standing until June 2018 and Jaln Claim until January 2018.

Expressed in Canadian Dollars

Note 3 **Exploration and Evaluation Assets** – continued

Rocky-Namew and Namew Lake Properties

The Company entered into two property option agreements dated October 31, 2008 and amended October 13, 2010, with Balraj Mann, President, Chief Executive Officer, and a director of the Company (the "Mann Option Agreements") pursuant to which the Company was granted an option to acquire, subject to a 2.5% net smelter return (the "Rocky-Namew NSR"), a 100% interest in certain mining claims known as the Rocky- Namew property located in Manitoba (the "Rocky-Namew Property"); and an option to acquire, subject to a 2.5% net smelter return (the "Namew Lake NSR"), a 100% interest in certain mining claims known as the Namew Lake property located in Manitoba (the "Namew Lake Property"). Mr. Mann had acquired the mining claims with respect to the Rocky-Namew Property and the Namew Lake Property prior to him becoming a director or an officer of the Company. Prior to October 31, 2008, the initial date of the Mann Option Agreements, the Company had no interest in either the Rocky-Namew Property or the Namew Lake Property.

To exercise the options under each of the Mann Option Agreements, the Company agreed to pay an aggregate of $242,500, and issue an aggregate of 450,000 Common Shares over a two-year period in respect of each Mann Option Agreement as set out in the table below.

	NAMEW-LAKE PROPERTY		ROCKY-NAMEW PROPERTY	
Date For Completion	**Cash Payment**	**Number of Shares To be Issued(1)**	**Cash Payment**	**Number of Shares To be Issued(1)**
Upon the Listing Date (1)	$47,500 (paid)	--	$47,500 (paid)	--
On the 6 month Anniversary of the Listing Date	$50,000 (paid)	150,000 (issued)	$50,000 (paid)	150,000 (issued)
On the first anniversary of the Listing Date	$65,000 (paid)	150,000 (issued)	$65,000 (paid)	150,000 (issued)
On the second anniversary of the Listing Date	$80,000 (3)	150,000 (2)(3)	$80,000 (3)	150,000 (2)(3)
Total	$242,500	450,000	$242,500	450,000

(1) *The Company commenced trading on the TSX Venture Exchange on February 28, 2011.*
(2) *Alternatively to the issuance of the 150,000 Shares, making an additional payment of $80,000.*
(3) *The Company is in negotiation over an extension of the payments.*

Upon completion of all the payments, share issuances and work program requirements set out above, the Company will have exercised its option to earn a 100% interest in the Rocky-Namew Property, subject to the Rocky-Namew NSR and a 100% interest in the Namew Lake Property, subject to the Namew Lake NSR. The Company has the right to purchase 1.0% of each of the Rocky-Namew NSR and the Namew Lake NSR in consideration of the payment of $1,000,000 each, which right may only be exercised during a five year period commencing on the later of the exercise of the Rocky-Namew Option or the Namew Lake Option, as applicable, and the date a bankable feasibility study is prepared and delivered to the Company.

The Company, by staking, added Mineral Exploration License 981A for 11,123 hectares, increased the Property total to 35,814 hectares. The license was issued on November 8, 2011 and expired on February 28, 2014. On June 25, 2013, license MEL359A expired and the Company re-staked it as license MEL 1020A to continue to be part of the option agreement. The license expired on August 15, 2014. There is no write down associated with the expiry of these licenses. MEL's 358A, 360A and 361A expired, the Company re-staked them as by MEL's 1054A, 1055A and 1056A which continue to be part of the option agreement.

Expressed in Canadian Dollars

Note 3 **Exploration and Evaluation Assets** – continued

Carrot River Property

On November 25, 2011 the Company purchased the Carrot River property located in Manitoba (the "Carrot River Property") for a final payment of $5,000 under the terms of an October 16, 2008, amended and restated property option agreement (replacing a property option agreement dated December 5, 2005) with Mr. James Dawson (the "Carrot River Agreement") pursuant to which the Company acquired an option to acquire a 100% interest in certain mineral claims known as the Carrot River property located in Manitoba (the "Carrot River Property"). The Company holds an 100% interest in the Carrot River Property subject to a net smelter return.

By agreement dated October 16, 2008, the Company assigned a 0.5% NSR Royalty to a director of the Company.

In fiscal 2016, because of uneconomical prospects, the Company has written off an impairment amount of $716,795.

Other Properties

The Company has evaluated various properties relating to rare-earth minerals which are used in existing and emerging energy technologies, and the Company will further access these properties and work towards acquiring one or more.

Note 4 **Share Capital**

a) Authorized: Unlimited common shares without par value.

b) Issued: see Changes in Shareholders' Equity

c) Share Purchase Warrants

As at February 28, 2017, the Company had 2,175,000 share purchase warrants outstanding. (August 31 2016 – 1,075,000).

Warrant activity was as follows:

	Number of Options	Weighted Average Exercise Price
Balance at August 31, 2015	-	$ -
Issued	1,075,000	0.10
Balance at August 31, 2016	1,075,000	0.10
Issued	1,100,000	0.10
Balance at February 28, 2017	**2,175,000**	$ 0.10

At February 28, 2017, the following share purchase warrants were outstanding and exercisable:

Number of Warrants	Exercise Price	Expiring
1,075,000	$0.10	July 29, 2017
1,100,000	$0.10	November 18, 2017

Expressed in Canadian Dollars

Note 4 Share Capital - continued

d) Stock Options

The Company has a share option plan that provides for the issuance of options to its directors, officers and employees. The maximum number of outstanding options is 10% of the issued and outstanding common shares at any point in time. The exercise price of each option equals the market price of the Company's shares on the date of the grant. The maximum term of the options is five years. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model.

The Company has a share option plan that provides for the issuance of options to its directors, officers and employees. The maximum number of outstanding options is 10% of the issued and outstanding common shares at any point in time. The exercise price of each option equals the market price of the Company's shares on the date of the grant. The maximum term of the options is five years. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model.

Option activity was as follows:

	Number of Options	Weighted Average Exercise Price
Balance at August 31, 2015	1,675,000	$ 0.21
Forfeited	(1,200,00)	0.20
Balance at August 31, 2016 and February 28, 2017	475,000	$ 0.25

There were no stock options issued for the three months ended November 30, 2016 (2015 – nil).

At February 28, 2017, the following stock options were outstanding and exercisable:

Number of Options	Price	Expiring
475,000	$0.25	March 19, 2017

Note 5 Related Party Transactions and Balances

The Company incurred the following fees and expenses charged by directors of the Company or by entities controlled by them for the six month period ended February 28, 2017 and 2016.

	2017	2016
Consulting fees	**$ 21,000**	$ 31,500
Project consulting	**21,000**	10,500
Rent	**6,000**	6,000
Office	**6,000**	6,000
Accounting	**3,000**	3,000

These transactions are measured at the exchange amount which was the amount established and agreed to by the related parties. As at February 28, 2017, accounts payable and accrued liabilities included $845,811 (August 31, 2016 - $791,811) owing to a company with a common director and officer of the Company for consulting services, office and rent. As well, at February 28, 2017, accounts payable and accrued liabilities included $17,000 (August 31, 2016 - $12,000) owing to an officer of the Company for accounting services.

Expressed in Canadian Dollars

Note 5 Related Party Transactions and Balances - continued

As at February 28, 2017, loans payable in the amount of $181,230 (August 31, 2016 - $145,908) were due to a director and to a company with a common director and officer of the Company for monies advanced for mineral properties expenditures. As at February 28, 2017, loans payable also included $7,000 (August 31, 2016 - $7,000) due to an officer of the Company. The amounts are unsecured, non-interest bearing and are due on demand.

Note 6 Financial Instruments and Risk Management

As at February 28, 2017, the carrying value of the Company's financial instruments approximates their fair value. Cash and short term investments are recorded at fair value and the Company's other financial instruments are recorded at amortized cost, which approximates fair value due to their short term nature. The Company's financial instruments are classified into the following categories:

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, either directly (ie. As prices) or indirectly (ie. Derived from prices).

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

At February 28, 2017, the Company's financial instruments which are measured at fair value on a recurring basis were cash and available-for-sale investments. These financial instruments were classified as "Level 2" financial instruments.

The Company's financial instruments are exposed to credit risk, liquidity risk and market risks.

a) 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 credit risk to its financial asset is summarized below:

		February 28, 2017		August 31, 2016
Cash and cash equivalents	$	**21,397**	$	41,507
Available-for-sale investments		**275**		175
Other receivables		**46,829**		2,595

The credit risk of cash, available-for-sale investments, and accounts receivable is assessed as nominal as the counter party is major Canadian financial institutions. The credit risk of accounts receivable is assessed as low as the majority is due from the Government of Canada.

The carrying amount of these financial assets is their maximum exposure to credit risk.

Note 6 <u>Financial Instruments and Risk Management</u> – continued

b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial obligations associated with its financial liabilities as they fall due. The Company's objective is to ensure that there are sufficient committed financial resources to meet its short-term business requirements for a minimum of twelve months. The Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures.

As of February 28, 2017, the Company does not have sufficient cash and highly liquid investment on hand to meet current liabilities and its expected administrative requirements for the coming year. The Company has cash of $21,397 (August 31, 2016 - $41,507), highly liquid investments of $275 (August 31, 2016 - $175), other receivables $46,829 (August 31, 2016 - $2,595) and total liabilities of $1,952,894 (August 31, 2016 - $1,831,298).

The liabilities mature as follow:

- Accounts payable and accrued liabilities of $1,764,664 are due within the next twelve months;
- Loans and borrowing of $188,230 has no specific terms of repayment.

To execute its planned exploration program for the next twelve months, the Company will need to raise additional funds through the issuance of equity or debt instruments or the sale of assets. The Company ensures that sufficient funds are raised from private placements to meet its operating requirements, after taking into account existing cash and cash equivalents, short term investments and expected exercise of stock options, but there can be no assurance that such financing will be available.

c) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

d) Currency Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates.

The Company has operations only in Canada and is not subject to currency risk associated with its operations.

e) 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. The Company has limited exposure to interest rate risk as its interest bearing debt instruments are short-term in nature. A 1% change in interest rates would not have a material change on the net and comprehensive loss of the Company.

f) Environmental Risk

The Company is not subject to environmental risks associated with its operations.

Note 6 Financial Instruments and Risk Management – continued

g) Commodity Price Risk

The Company is subject to commodity price risk for the sale of gold and silver. Mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control such as the sale or purchase of commodities by various central banks, financial institutions, expectations of inflation or deflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, international supply and demand, speculative activities and increased production due to new mine developments, improved mining and production methods and international economic and political trends. The Company's revenues, if any, are expected to be in large part derived from the extraction of mineral products. As such, the effect of these factors on the price in future product sales, and therefore the economic viability of any of the Company's exploration projects, cannot accurately be predicted.

Note 7 Capital Disclosures

The Company's objectives when managing capital are:

- To maintain and safeguard its accumulated capital in order to provide an adequate return to shareholders by maintaining a sufficient level of funds, to support continued evaluation and maintenance at the Company's existing properties, and to acquire, explore, and develop other precious and base metal deposits.

- To invest cash on hand in highly liquid and highly rated financial instruments with high credit quality issuers, thereby minimizing the risk of loss of principal.

- To obtain the necessary financing to complete exploration and development of its properties, if and when it is required.

The Company manages the capital structure and makes adjustments to it, based on the level of funds required to manage its operations in light of changes in economic conditions and the risk characteristics of its underlying assets, especially with respect to exploration results on properties in which the Company has an interest.

In order to facilitate the management of capital and development of its mineral properties, the Company prepares annual expenditure budgets, which are updated as necessary and are reviewed and approved by the Company's Board of Directors. In addition, the Company may issue new equity, incur additional debt, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of certain assets. The Company's investment policy is to hold cash in interest bearing accounts at a major Canadian banking institution to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends. The Company is not exposed to any externally imposed capital requirements.

Notwithstanding the risks described in Note 1, the Company seeks to continue to raise funds, from time to time, to continue meeting its capital management objectives.

Note 8 Subsequent Events

a) On March 9, 2017, the Company issued 159,501 shares as part of the option agreement for the Irgon Lithium Mine property.

b) On March 6, the Company announced it engaged Ascenta Finance Corp. to arrange a private placement of up to $750,000. The financing would consist of issuing up to 7.5 million units at $0.10 per unit, where each unit will consist of one common share, (i) one common share purchase warrant exercisable at $0.17 per warrant for a period of 18 months, and (ii) one common share purchase warrant with an exercise price of $0.25 per warrant for a period of 24 months. In the event that the closing price of the Company's shares as quoted on the TSXV exceeds $0.28 per share for ten consecutive days, the Company may accelerate the expiry date of the $0.17 warrants by giving notice to the holders, within five days of such event, thereof, and in such case, the warrants will expire on the 30th day after the date on which such notice is given by the Company.

c) On March 7, 2017, the Company announced that it would increase the private placement to $1.1 million.

d) On March 19, 2017, 475,000 stock options expired.

e) On April 12, 2017, the Company closed the first tranche of its non-brokered financing consisting of the issuance of 8.25 million units for gross proceeds of $825,000.