ROYAL SAPPHIRE CORP.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTH PERIODS ENDED AUGUST 31, 2016 AND 2015

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The management of Royal Sapphire Corp. is responsible for the preparation of the accompanying unaudited condensed interim financial statements. The unaudited condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards and are considered by management to present fairly the financial position, operating results and cash flows of the Company.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor. These unaudited condensed interim financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the financial position, results of operations and cash flows.

"Eric Warren"	"Anthony Jackson"
Eric Warren Chief Executive Officer	Anthony Jackson, Chief Financial Officer

October 31, 2016

ROYAL SAPPHIRE CORP.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT AUGUST 31, 2016 AND NOVEMBER 30, 2015

(Expressed in Canadian dollars)

	August 31, 2016	November 30, 2015
	$	$
ASSETS		
CURRENT		
Cash	651	21,732
GST receivable	11,992	8,738
Prepaid expenses	2,500	-
	15,143	30,470
EXPLORATION AND EVALUATION ASSET (Note 6)	49,128	18,408
	64,271	48,878
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 7)	346,495	299,781
Loans payable (Note 8)	133,500	103,500
	479,995	403,281
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 9)	994,433	993,713
Reserves - warrants (Note 9)	181,168	181,168
Reserves - share based compensation (Note 9)	34,091	34,091
Deficit	(1,625,416)	(1,563,375)
	(415,724)	(354,403)
	64,271	48,878

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Note 1)

Approved on behalf of the Board:

"Signed"	*"Signed"*
Anthony Jackson, Director	Eric Warren, Director

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

ROYAL SAPPHIRE CORP.

CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

FOR THE THREE AND NINE MONTH PERIODS ENDED AUGUST 31, 2016 AND 2015

(Expressed in Canadian dollars)

	For the 3 months to August 31, 2016 (Unaudited)	For the 3 months to August 31, 2015 (Unaudited)	For the 9 months to August 31, 2016 (Unaudited)	For the 9 months to August 31, 2015 (Unaudited)
EXPENSES				
Consulting	$ -	$ 30,000	$ 100	$ 90,000
Interest expense	-	-	1,418	499
Investor relations	-	-	-	31
Office	36	45	182	599
Management fees (Note 7)	15,000	8,500	25,000	21,000
Professional fees (Note 7)	7,500	13,001	24,690	49,738
Rent	-	15,000	-	45,000
Transfer agent and filing fees	966	1,264	10,651	20,472
NET LOSS AND COMPREHENSIVE LOSS	(23,502)	(67,810)	(62,041)	(227,339)
LOSS PER SHARE, basic and diluted	$ (0.01)	$ (0.04)	$ (0.04)	$ (0.14)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	1,685,176	1,667,176	1,675,292	1,607,778

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

ROYAL SAPPHIRE CORP.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

FOR THE THREE AND NINE MONTH PERIODS ENDED AUGUST 31, 2016 AND 2015

(Expressed in Canadian dollars)

	For the 3 months to August 31, 2016 (Unaudited)	For the 3 months to August 31, 2015 (Unaudited)	For the 9 months to August 31, 2016 (Unaudited)	For the 9 months to August 31, 2015 (Unaudited)
	$	$	$	$
OPERATING ACTIVITIES				
Net loss for the period	(23,502)	(67,810)	(62,041)	(227,339)
Changes in non-cash working capital items:				
GST receivable	(1,173)	8,177	(3,254)	(69)
Prepaid expenses	-	-	(2,500)	-
Accounts payable and accrued liabilities	24,639	64,058	46,714	157,631
	(36)	4,425	(21,081)	(69,777)
FINANCING ACTIVITIES				
Loans	-	8,000	30,000	91,000
	-	8,000	30,000	91,000
INVESTING ACTIVITIES				
Mineral property and acquisition and exploration costs	-	(408)	(30,000)	(10,408)
	-	(408)	(30,000)	(10,408)
CHANGE IN CASH	(36)	12,017	(21,081)	10,815
CASH, BEGINNING OF PERIOD	687	126	21,732	1,328
CASH, END OF PERIOD	651	12,143	651	12,143
SUPPLEMENTAL INFORMATION				
Interest paid	-	-	-	499
NON-CASH TRANSACTION				
Shares issued for mineral property	-	-	720	8,000

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

ROYAL SAPPHIRE CORP.

CONDENSED INTERIM STATEMENTS OF CHANGES IN DEFICIENCY

FOR THE THREE AND NINE MONTH PERIODS ENDED AUGUST 31, 2016 AND 2015

(Expressed in Canadian dollars)

	Number of shares	Amount	Reserves - warrants	Reserves- share-based compensation	Deficit	Total
		$	$	$	$	$
Balance, November 30, 2014	1,512,176	985,713	181,168	34,091	(1,306,918)	(105,946)
Shares issued for Lorn Block mineral property	5,000	500	-	-	-	500
Shares issued for Yukon Gold purchase agreement	150,000	7,500	-	-	-	7,500
Total comprehensive loss for the period	-	-	-	-	(227,339)	(227,339)
Balance, August 31, 2015	**1,667,176**	**993,713**	**181,168**	**34,091**	**(1,534,257)**	**(325,285)**
Balance, November 30, 2015	1,667,176	993,713	181,168	34,091	(1,563,375)	(354,403)
Shares issued for Lorn Block mineral property	18,000	720	-	-	-	720
Total comprehensive loss for the period	-	-	-	-	(62,041)	(62,041)
Balance, August 31, 2016	**1,685,176**	**994,433**	**181,168**	**34,091**	**(1,625,416)**	**(415,724)**

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

1. NATURE OF BUSINESS AND CONTINUING OPERATIONS

Royal Sapphire Corp. (the "Company") was incorporated on March 2, 2011 under the laws of British Columbia. The head office, principal address, records office, and registered address of the Company is located at 1199 West Hasting Street, Suite 800, Vancouver, British Columbia, V6E 3T5.

The Company's principal business activities include the acquisition and exploration of mineral property assets. At August 31, 2016, the Company had not yet determined whether the Company's mineral property contains ore reserves that are economically recoverable. The Company had an accumulated deficit of $1,625,416 as at August 31, 2016 (2015: $1,534,257). The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. All of the preceding indicates the existence of a material uncertainty that may cast substantial doubt about the Company's ability to continue as a going concern. These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying financial statements.

These financial statements were authorized for issue by the Board of Directors on October 31, 2016.

2. STATEMENT OF COMPLIANCE

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), in particular IAS 34, interim reporting, and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

3. BASIS OF MEASUREMENT

The interim financial statements have been prepared on a historical cost basis, as modified by the revaluation of available-for-sale financial assets. The interim financial statements are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Exploration and evaluation assets

i. Pre-license expenditures

Pre-license expenditures are costs incurred before the legal rights to explore a specific area have been obtained. These costs are expensed in the period in which they are incurred as exploration and evaluation expense.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

a) Exploration and evaluation assets (*continued*)

ii. Exploration and evaluation expenditures

Once the legal right to explore has been acquired, costs directly associated with the exploration project are capitalized as either tangible or intangible exploration and evaluation ("E&E) assets according to the nature of the asset acquired. Such E&E costs may include undeveloped land acquisition, geological, geophysical and seismic, exploratory drilling and completion, testing, decommissioning and directly attributable internal costs. E&E costs are not depleted and are carried forward until technical feasibility and commercial viability of extracting a mineral resource is considered to be determined. The technical feasibility and commercial viability of a mineral resource is considered to be established when proved and or probable mineral reserves are determined to exist. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the exploratory activity. When this is no longer the case, impairment costs are charged to exploration and evaluation expense. Upon determination of mineral reserves, E&E assets attributed to those reserves are first tested for impairment and then reclassified to development and production assets within property, plant and equipment, net of any impairment. Expired land costs are also expensed to exploration and evaluation expense as they occur.

The Company has not established any NI 43-101 compliant proven or probable reserves on any of its mineral properties which have been determined to be economically viable.

iii. Impairment

Exploration and evaluation assets are assessed for impairment when indicators and circumstances suggest that the carrying amount may exceed its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. 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. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

Industry-specific indicators for an impairment review arise typically when one of the following circumstances applies:

- Substantive expenditure or further exploration and evaluation activities is neither budgeted nor planned;
- Title to the asset is compromised, has expired or is expected to expire;
- Adverse changes in the taxation, regulatory or political environment;
- Adverse changes in variables in commodity prices and markets making the project unviable; and
- Variations in the exchange rate for the currency of operation.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

b) Restoration, rehabilitation, and environmental obligations

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arise from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss. The Company has no restoration, rehabilitation and environmental obligations as at August 31, 2016.

c) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position is comprised of cash held at major financial institutions and short term investments which are readily convertible into a known amount of cash. The Company's cash and cash equivalents is invested in business accounts which are available on demand by the Company. As at August 31, 2016 and November 30, 2015 the Company did not have any cash equivalents.

d) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income of loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for unused tax loss carry-forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enactive or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the group intends to settle its current tax assets and liabilities on a net basis.

e) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from equity, net of any tax effects.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

f) Share based payments

Options and warrants granted are accounted for using the fair value method. Under this method, the fair value of stock options and warrants granted are measured at estimated fair value at the grant date and recognized over the vesting period. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus on options granted is transferred to share capital.

The Corporation uses the Black-Scholes option pricing model to determine the fair value of these incentives taking into consideration terms and conditions upon which the options were granted. At each financial reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

The Company recognizes the effects of modifications that increase the total fair value of the share-based payment arrangement or are otherwise beneficial to the employee.

If the modification increases the fair value of the equity instruments granted (e.g. by reducing the exercise price), measured immediately before and after the modification, the entity shall include the incremental fair value granted in the measurement of the amount recognized for services received as consideration for the equity instruments granted. The incremental fair value granted is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period. If the modification occurs after vesting date, the incremental fair value granted is recognized immediately, or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments.

g) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

h) Financial instruments

Financial assets are classified into one of four categories:

- Fair value through profit or loss;
- Held-to-maturity;
- Available for sale; and
- Loans and receivables

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

Financial assets at fair value through profit or loss (“FVTPL”)

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if

- It has been acquired principally for the purpose of selling in the near future;

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

h) Financial instruments (*continued*)

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

- It is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

The Company classifies its cash as FVTPL.

Held-to-maturity ("HTM")

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as HTM investments.

Available-for-sale financial assets ("AFS")

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets as at FVTPL. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss. The Company does not have any assets classified as available for sale.

Loans and receivables

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

Derecognition of financial assets

A financial asset is derecognized when:

- The contractual right to the asset's cash flows expire; or
- If the Company transfers the financial assets and substantially all risks and rewards of ownership to another entity.

Impairment of financial assets

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

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

h) Financial instruments (*continued*)

Impairment of financial assets (continued)

The carrying amount of all financial assets is directly reduced by the impairment loss. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss.

On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue cost.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

i. *Other financial liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company has classified accounts payable as other financial liabilities.

ii. *Derecognition of financial liabilities*

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

i) Flow-through shares

Any premium received by the Company on the issuance of flow-through shares is initially recorded as a liability ("flow-through premium liability") and included in accounts payables and accrued liabilities. Upon incurring qualifying expenditures and renouncement by the Company of the tax benefits associated with the related expenditures, a deferred tax liability is recognized and the flow-through premium liability will be reversed. To the extent that suitable deferred tax assets are available, the Company will reduce the deferred tax liability and record a deferred tax recovery.

j) Critical accounting estimates and judgements

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

j) Critical accounting estimates and judgements (*continued*)

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

Judgements

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. The factors considered by management are disclosed in Note 1.

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Estimates

Share-based payment transactions

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

Recognition of deferred income tax assets and liabilities

The carrying amount of deferred income tax assets and liabilities is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Changes in estimates of future taxable profit can materially affect the amount of deferred income tax assets and liabilities recognized from period to period.

Impairment

Management assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of any such assets may exceed their recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, the Company shall measure, present and disclose any resulting impairment.

5. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Accounting standards adopted during the year

The mandatory adoption of the following new and revised accounting standards on December 1, 2014 had no significant impact on the Company's financial statements for the years presented:

IAS 32 *Financial Instruments: Presentation* - In December 2011, the IASB issued an amendment to clarify the meaning of the offsetting criterion and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement.

IAS 36 Impairment of Assets - In May 2013, the IASB issued an amendment to address the disclosure of information about the recoverable amount of impaired assets or a CGU for periods in which an impairment loss has been recognized or reversed. The amendments also address disclosure requirements applicable when and asset's or a CGU's recoverable amount is based on fair value less costs of disposal.

IFRIC 21 Levies - In May 2013, the IASB issued IFRIC 21, Levies ("IFRIC 21"), an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("obligating event"). IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Standards, amendments and interpretations not yet effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning December 1, 2015 or later years.

The following accounting policies will be adopted by the Company effective December 1, 2016:

IAS 1 – Presentation of Financial Statements – In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgement in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - In May 2014, the IASB issued amendments to IAS 16 and IAS 38. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The following standards will be adopted by the Company effective December 1, 2018:

IFRS 9 – Financial Instruments - The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") which is intended to reduce the complexity in the classification and measurement of financial instruments.

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

The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS

	Balance
	$
Lorn Block Property, British Columbia	
Acquisition costs, beginning	10,908
Additions	30,720
Acquisition costs, ending	41,628
Yukon Gold Property, Yukon	
Acquisition costs, beginning	7,500
Additions	-
Acquisition costs, ending	7,500
Total Costs August 31, 2016	49,128

Lorn Block Property, Gold Bridge British Columbia

In 2011, the Company entered into an option agreement to earn a 100% undivided interest in eight contiguous claims known as the Lorn Block Property in the Clinton and Lillooet Mining Division (the “Agreement”). The Agreement was amended in prior years and the Company had written down the property in 2013 due to its inability to meet the amended terms. On March 2, 2015 and December 15, 2015, the Company entered into amendments to revive the Agreement. As per the amended Agreements, the Company can earn a 100% interest in the Lorn Block Property by making cash payments totaling $175,000, issuing 60,000 common shares of the Company, and incurring exploration expenditures totaling $2,600,000, as follows:

	Common Shares	Cash	Exploration Expenditures
	#	$	$
Upon execution of the agreement (paid)	-	15,000	-
Upon listing of the Company’s common shares (the “Listing”) (issued, paid and incurred)	8,000	20,000	100,000
On or before the first anniversary of the Listing (incurred)	-	-	110,000
On or before March 15, 2015 (paid)	5,000	10,000	-
On or before March 31, 2016 (paid)	18,000	30,000	30,000
On or before December 31, 2016	17,000	45,000	60,000
On or before December 31, 2017	12,000	55,000	2,300,000
Total	60,000	175,000	2,600,000

The Agreement is subject to a 3% Net Smelter Returns (“NSR”) royalty on the Property. 1.5% of the royalty may be purchased by the Company at $3 million. Beginning December 31, 2018, the Company will be required to make annual advance minimum royalty payments of $25,000, which are deductible from future NSR royalty payments.

On July 30, 2015, the Company entered into an earn-in agreement with Kin Resources Inc. (“Kin”), whereby the Company agrees to assign to Kin up to 50% interest in the mineral claims in the Lorn Block Property. To earn up to 50% interest, Kin is required to incur, make cash payments and issue shares to the original optionor at the following dates:

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS *(continued)*

Lorn Block Property, Gold Bridge British Columbia *(continued)*

Date	Exploration amount	Cash	Shares
December 31, 2016	$30,000	$22,500	8,500
December 31, 2017	$1,150,000	$27,500	6,000

In addition, Kin is required to issue additional 30,000 shares to the optionor upon completion of a feasibility study.

Yukon Gold Property, Yukon

On March 27, 2015, the Company signed a purchase agreement with North of Sixty Ventures Inc. to purchase an undivided 100% interest in 10 mineral claims located in the Yukon Territories, Canada in consideration for 150,000 common shares (issued) of the Company.

7. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The following amounts are due to related parties and have been included in accounts payable and accrued liabilities as of August 31, 2016 and November 30, 2015:

	August 31, 2016	**November 30, 2015**
	$	$
Due to directors and companies controlled by directors and officers of the Company	86,625	36,750
Due to former director of the Company	13,159	13,159
	99,784	49,909

The Company had the following related party transactions for the period ended August 31, 2016:

	2016	**2015**
	$	$
Professional fees – current director	22,500	22,500
Management fees – current director	25,000	-
Management fees – former director	-	12,500
Total	47,500	35,000

8. LOANS PAYABLE

Loans payable in the amount of $133,500 (November 30, 2015: $103,500) are unsecured, have no fixed terms of repayment, bears no interest, and is due on demand.

(Expressed in Canadian dollars)

9. SHARE CAPITAL

a) Authorized

Unlimited common shares without par value.

b) Issued and outstanding

As at August 31, 2016, the issued share capital comprised of 1,685,176 common shares (November 30, 2015: 1,667,176).

c) Share consolidation

On February 10, 2015, the Company consolidated all of the issued and outstanding common shares on a one for ten basis. As a result of the share consolidation, the number of shares presented in these financial statements and the calculated weighted average number of common shares issued and outstanding for the purpose of earnings per share calculation are based on the post share consolidation common shares for all periods presented.

d) Shares for mineral property acquisition

On April 29, 2016, the Company issued 18,000 common shares pursuant to the Lorn Block Property amended Agreement.

On March 15, 2015, the Company issued 5,000 common shares pursuant to the Lorn Block Property amended Agreement.

On March 27, 2015, the Company issued 150,000 common shares pursuant to the Yukon Gold property purchase agreement.

e) Stock options

The Company adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Company. Such options will be exercisable for a period of up to 10 years at the later from the date of grant, or listing, and must comply with the rules of the Exchange.

A summary of the status of the Company's outstanding and exercisable options as at August 31, 2016, November 30, 2015 and changes during the periods then ended are as follows:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (yrs)
Balance, November 30, 2013	125,000	$1.50	3.25
Options forfeited	125,000	$1.50	3.25
Balance, November 30, 2015 and August 31, 2016	-	-	-

9. SHARE CAPITAL *(continued)*

f) Warrants

A summary of the status of the Company's outstanding warrants as at August 31, 2016, and November 30, 2015 and changes during the periods then ended are as follows:

	Warrants Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life (yrs)
Balance, November 30, 2013	57,467	$1.50	0.94
Warrants expired	57,467	$1.50	0.94
Balance, November 30, 2015 and August 31, 2016	-	-	-

10. BASIC AND DILUTED LOSS PER SHARE

The calculation of basic and diluted loss per share for the nine month period ended August 31, 2016 was based on the loss attributable to common shareholders of $62,041 (2015: $227,339) and the weighted average number of common shares outstanding of 1,675,292 (2015: 1,607,778).

11. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of mineral properties. The Company does not have any externally imposed capital requirements to which it is subject.

As at August 31, 2016, the Company considers capital to be all components of shareholders' equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

12. FINANCIAL INSTRUMENTS

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk of potential loss to the Group if a counter-party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions.

Foreign Exchange Risk

The Company currently does not have significant foreign exchange risk as all of its transactions are in Canadian dollars.

Interest Rate Risk

The Company is not exposed to significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as described in Note 11.

12. FINANCIAL INSTRUMENTS *(continued)*

Liquidity Risk *(continued)*

The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuance when required. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the Company's significant commitments and corresponding maturities:

		<1 year	**1 – 3 Years**	**Total**
Accounts payable and accrued liabilities	$	346,495	-	346,495

Commodity Price Risk

The Company's ability to raise capital to fund exploration activities is subject to risks associated with fluctuations in the market price of mineral resources. The Company closely monitors commodity prices to determine the appropriate course of actions to be taken.

Fair Value Measurements

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and
- Level 3 – Inputs that are not based on observable market date.

The fair value of cash is determined based on Level 1 inputs, which consist of quoted prices in active markets for identical assets. As at August 31, 2016, the Company believes that the carrying values of accounts payable approximates its fair value because of their nature and relatively short maturity dates or durations.

13. SUBSEQUENT EVENTS

No subsequent events.