Tarku Resources Ltd.

(An Exploration Stage Corporation)

Financial Statements

September 30, 2016 and 2015

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Tarku Resources Ltd.

We have audited the accompanying financial statements of Tarku Resources Ltd., which comprise the statement of financial position as at September 30, 2016, and the statements of loss and comprehensive loss, changes in equity, and cash flows for the year then ended, and 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Tarku Resources Ltd. as at September 30, 2016 and its financial performance and its cash flows for the year then endedin accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Tarku Resources Ltd.'s ability to continue as a going concern.

Other Matters

The financial statements of Tarku Resources Ltd. for the year ended September 30, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on January 7, 2016.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

January 13, 2017

Tarku Resources Ltd.

Statements of Financial Position

(Expressed in Canadian Dollars)

As at September 30	**2016**	**2015**
Current		
Cash and cash equivalents	$ 246,625	$ 5,598
Trade and other receivables	10,153	875
Prepaid	12,100	1,100
Quebec mining tax credit receivable	58,100	58,100
	326,978	65,673
Non-current		
Exploration and evaluation assets (note 4)	186,356	179,321
Total assets	$ 513,334	$ 244,994
Liabilities		
Current		
Trade and other payables (note 7)	$ 110,625	$ 46,834
Loan payable (note 7)	-	54,938
	110,625	101,772
Equity		
Share capital (note 5)	2,249,706	1,771,430
Deficit	(1,846,997)	(1,628,208)
	402,709	143,222
Total liabilities and equity	$ 513,334	$ 244,994

Nature of business and continuance of operations (note 1)
Events after the reporting period (note 12)

APPROVED ON BEHALF OF THE BOARD

"Bernie Kennedy"	**"Tim Termuende"**
Bernie Kennedy, Director	**Tim Termuende, Director**

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

Tarku Resources Ltd.

Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars)

	Year ended September 30, 2016	Year ended September 30, 2015
Expenses		
Administrative expenses (note 7)	$36,161	$44,938
Consulting fees (note 7)	45,043	49,641
Exploration costs (notes 4 and 7)	56,281	167,594
Investor Relations expenses	20,343	30,229
Listing and filing fees	37,283	30,680
Professional fees	23,678	22,269
	(218,789)	(345,351)
Write down of exploration and evaluation assets (note 4)	-	(96,677)
Interest and other income	-	102
Loss and Comprehensive loss for the year	($218,789)	($441,926)
Basic and diluted loss per common share	($0.01)	($0.03)
Weighted average number of common shares outstanding - basic and diluted	22,724,556	17,088,587

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

Tarku Resources Ltd.

Statements of Cash Flows

(Expressed in Canadian Dollars)

	Year Ended September 30, 2016	Year ended September 30, 2015
Operating activities		
Loss for the year	$(218,789)	$(441,926)
Adjustments:		
Write down of exploration and evaluation assets	-	96,677
Changes in non-cash working capital items:		
Prepaid	(11,000)	13,880
Trade and other receivables	(9,278)	21,467
Quebec mining tax credit receivable	-	(58,100)
Trade and other payables	63,791	(128,239)
	(175,276)	(496,241)
Financing activities		
Cash received from share issuance	510,200	219,450
Share issue costs	(31,924)	(23,573)
Loan payable	(54,938)	54,938
	423,338	250,815
Investing activities		
Additions to exploration and evaluation assets	(7,035)	(39,320)
	(7,035)	(39,320)
Increase (decrease) in cash and cash equivalents	241,027	(284,746)
Cash and cash equivalents, beginning of year	5,598	290,344
Cash and cash equivalents, end of year	$246,625	$ 5,598
Cash and Cash Equivalents consists of:		
Cash	$ 229,025	$ 3,398
Term Deposit	17,600	2,200
	$ 246,625	$ 5,598
Additional cash flow information		
Interest received in cash	$ -	$ 102
Interest paid in cash	$ 5,373	$ -
Income taxes paid in cash	$ -	$ -

Non-cash investing and financing activities

During the year ended September 30, 2016, the Company issued nil (2015 – 2,000,000) common shares with a value of nil (2015 - $140,000) pursuant to a mineral property option agreement.

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

Tarku Resources Ltd.

Statements of Changes in Equity

(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Deficit	Total Equity
		$	$	$
Balance, September 30, 2014	15,555,000	1,435,553	(1,186,282)	249,271
Shares issued pursuant to private placements	2,659,167	219,450	-	219,450
Share issuance as per option agreement	2,000,000	140,000	-	140,000
Share issuance costs	-	(23,573)	-	(23,573)
Loss for the year	-	-	(441,926)	(441,926)
Balance, September 30, 2015	20,214,167	1,771,430	(1,628,208)	143,222
Shares issued pursuant to private placements	10,204,000	510,200	-	510,200
Share issuance costs	-	(31,924)	-	(31,924)
Loss for the year	-	-	(218,789)	(218,789)
Balance, September 30, 2016	**30,418,167**	**2,249,706**	**(1,846,997)**	**402,709**

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

1. Nature of business and continuance of operations

Clear Creek Resources Ltd. ("Clear Creek") was incorporated on March 21, 2011 and Ituna Capital Corporation ("Ituna") was incorporated on August 26, 2011 both under the British Columbia Business Corporations Act.

On May 14, 2014, Clear Creek completed a transaction structured as a three-cornered amalgamation ("Amalgamation") with Ituna and Ituna's wholly-owned subsidiary, Tarku Resources Ltd. As consideration for the Amalgamation, each outstanding Clear Creek's common share was exchanged for one common share of Ituna. Pursuant to the amalgamation agreement, an aggregate of 11,375,000 Ituna common shares were issued to Clear Creek shareholders.

The shareholders of Ituna approved the change of its name to Tarku Resources Ltd. (the "Company") at the Company's Annual General and Special Meeting held on August 18, 2014.

Subsequent to the Amalgamation, the Company's principal business activity is the exploration for mineral resources in the provinces of Saskatchewan and Quebec. The Company's corporate office is located at Suite 602, 224 4th Ave S., Saskatoon, Saskatchewan.

The financial statements have been prepared on a going concern basis which assumes the Company will realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. External financing, predominantly by the issuance of equity to the public, will be sought to finance the operations of the Company. Although the Company has a history of raising money, there is no guarantee of this in the future. As a result, there exists material uncertainty which raises significant doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. Basis of preparation

(a) Statement of compliance

The Company's financial statements for the year ended September 30, 2016 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

These financial statements were authorized for issue by the Board of Directors on January 13, 2017.

(b) Use of Estimates and Judgments

The preparation of financial statements in compliance with IFRS requires management to make certain judgments, estimates and assumptions that affect the application of accounting policies and 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. Actual results may differ from these estimates and assumptions.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

2. Basis of preparation (continued)

(b) Use of Estimates and Judgments (continued)

The estimates and underlying assumptions are continuously evaluated and reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the revision affects both current and future periods.

Significant areas requiring the use of management estimates include amounts of provisions, if any, for impairment of exploration and evaluation assets, reclamation and environmental obligations, deferred income taxes, and contingencies reported in the notes to the financial statements.

Significant areas requiring the use of management judgments include recognition of impairment of exploration and evaluation assets, reclamation and environmental obligations, deferred income taxes, classification of financial instruments and disclosure of contingencies reported in the notes to the financial statements.

(c) Basis of Measurement

These financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss ("FVTPL") and available-for-sale which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These financial statements are presented in Canadian dollars, which is also the Company's functional currency.

3. Significant Accounting Policies

(a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

(b) Exploration and evaluation assets

Exploration expenditures are expensed as incurred until an economic feasibility study has established the presence of proven and probable reserves and development of the project has commenced, at which time exploration and development expenditures incurred on the property thereafter are capitalized.

Costs incurred relating to the acquisition and claim maintenance of mineral properties, including option payments and annual fees to maintain the property in good standing, are capitalized and deferred by property until the project to which they relate is sold, abandoned, impaired or placed into production. The Company uses the cost model for exploration and evaluation assets.

3. Significant Accounting Policies (continued)

(b) Exploration and evaluation assets (continued)

The Company assesses its capitalized mineral property costs for indications of impairment on a regular basis and when events and circumstances indicate a risk of impairment. A property is written down or written off when the Company determines that an impairment of value has occurred or when exploration results indicate that no further work is warranted.

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, or title may be affected by undetected defects.

(c) Mineral tax credit

Mining exploration tax credits for certain exploration expenditures in Quebec are treated as a reduction of the exploration costs. The amounts are accounted for on an accrual basis.

(d) Reclamation and environmental obligations

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of exploration and evaluation assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The Company records the present value of the estimated costs of legal and constructive obligations required to restore the exploration sites in the period in which the obligation is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

As at September 30, 2016 and 2015, the Company has no asset retirement obligations and accordingly, has not recorded an asset retirement obligation in the financial statements.

(e) Impairment of non-financial assets

At the end of each reporting period the carrying amounts of non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. Impairment is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's 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. The impairment loss is recognized in profit or loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized immediately in profit or loss.

3. Significant Accounting Policies (continued)

(f) Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity or in other comprehensive income/loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years.

Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(g) Share Capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share warrants, options and flow-through shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are recognized as a deduction from equity, net of tax.

<u>Flow-through shares</u>

Resource expenditure deductions for income tax purposes related to exploratory activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being renounced, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued until qualifying expenditures are incurred.

3. Significant Accounting Policies (continued)

(g) Share Capital (continued)

<u>Valuation of equity units issued in private placements</u>

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in the private placements was determined to be the more easily measurable component and were valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, was allocated to the attached warrants. Any fair value attributed to the warrants is recorded as contributed surplus. If the warrants expire unexercised, the value attributed to the warrants is transferred to deficit.

(h) Earnings (loss) per common share

Basic earnings/loss per share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings/loss per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted.

(i) Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

The grant date fair value is recognized in profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

3. Significant Accounting Policies (continued)

(i) Share-based payments (continued)

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

All equity-settled share-based payments are reflected in share-based payment reserve of contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in share-based payment reserve of contributed surplus is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

(j) Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Regular way purchases and sales of FVTPL financial assets are accounted for at the trade date, as opposed to settlement date. The Company has classified its cash and cash equivalents as FVTPL.

Financial assets classified as loans and receivables and held-to-maturity are measured at amortized cost. The Company's trade and other receivables are classified as loans and receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income/loss except for losses in value that are considered other than temporary.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

3. Significant accounting policies (continued)

(j) Financial instruments (continued)

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

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through profit or loss.

<u>Impairment of financial assets</u>

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

(k) New standards, amendments and interpretations not yet adopted

During the year ended September 30, 2016, the Company adopted certain new standards and amendments, none of which had a material impact on the Company's financial information.

Although the Company does not expect any of the following changes to have a material impact on the financial results of the Company, the Company has not yet fully assessed the impact of adoption of the following standard:

<u>IFRS 9 – 'Financial Instruments'</u>
This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortized cost or fair value. To be classified and measured at amortized cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognized in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with IAS 39, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. This standard is effective for reporting periods beginning on or after January 1, 2018.

4. Exploration and evaluation assets

<u>Chateau Fort gold property, Quebec</u>

On March 24, 2015, Anthem Resources Inc. ("Anthem"), a company related by a common director, signed a binding letter of intent (“LOI”) to option its Chateau Fort gold property in central Quebec to the Company.

On July 27, 2015, Boss Power Corp. completed the acquisition of Anthem and changed its name to Eros Resources Corp. (“Eros”). The option agreement continues with Eros.

The Company will have the option to acquire a 100% interest in the property, subject to reservations of diamonds on the claims identified as Melkior OJV and royalty interests on the property, by funding expenditures on the property, issuing shares and making cash payments, according to the following schedule:

(i) $5,000 deposit payable on execution of the LOI (paid);

(ii) make total cash payments of $95,000 and issue a total of 8,000,000 shares of Tarku as follows:

- (1) on approval of the TSX Venture Exchange, no later than April 21, 2015, or such later date as mutually agree upon, $10,000 in cash (paid) and 2,000,000 shares (issued);
- (2) on or before March 31, 2016, $20,000 in cash (unpaid) and 1,500,000 shares (unissued);
- (3) on or before March 31, 2017, $20,000 in cash and 1,500,000 shares;
- (4) on or before March 31, 2018, $20,000 in cash and 1,500,000 shares;
- (5) on or before March 31, 2019, $25,000 in cash and 1,500,000 shares;

(iii) fund expenditures of not less than $200,000 and renew claims in the amount of $25,000 (completed) on or before July 10, 2015 which expenditures will be a firm commitment.

The Company also has a requirement to complete a private placement financing of not less than $400,000 by April 21, 2015, of which Eros has deemed satisfied by way of the Company’s private placement financing of $219,450 completed in June 2015.

Anthem (subsequently Eros) retains a 2% net smelter return royalty on claims not subject to other underlying agreements. The Company will have the right to buy down the royalty to 1% for $2,000,000 on or before commencement of commercial production. In addition, Anthem retains the right to maintain its pro rata percentage ownership of the Company via future financings, and first right of refusal on third party offers to purchase the property.

On July 29, 2016, the property option agreement was amended as follows: 100% of the property was transferred to the Company with no other liabilities or consideration or commitments and the right to buy down the royalty to 1% was reduced from $2,000,000 to $500,000.

During the year ended September 30, 2016 the Company incurred $56,281 (2015 - $167,594) in exploration expenditures in connection with this property.

4. Exploration and evaluation assets (continued)

Virgin River property, Saskatchewan

On January 15, 2014, the Company entered into an option agreement with Eagle Plains Resources Ltd. ("Eagle Plains") (related by virtue of common directors) to earn an undivided 60% interest in the Virgin River property situated in Saskatchewan subject to the following terms:

(i) make total cash payments of $500,000 to the Eagle Plains as follows:

(1) $10,000 within 5 business days of the execution of the option agreement (paid);
(2) $25,000 on or before May 21, 2014 (paid);
(3) $50,000 on or before May 21, 2015 (unpaid);
(4) $75,000 on or before May 21, 2016 (unpaid);
(5) $100,000 on or before May 21, 2017;
(6) $120,000 on or before May 21, 2018;
(7) $120,000 on or before May 21, 2019;

(ii) issue a total of 1,200,000 common shares of the Company to the Optionor as follows:

(1) 200,000 on or before May 21, 2014 (issued);
(2) 200,000 on or before May 21, 2015 (unissued);
(3) 200,000 on or before May 21 2016 (unissued);
(4) 200,000 on or before May 21, 2017;
(5) 200,000 on or before May 21, 2018;
(6) 200,000 on or before May 21, 2019;

(iii) incur total expenditures of $5,000,000 on the Virgin River Property as follows:

(1) $200,000 on or before May 21, 2015 (incurred);
(2) $500,000 on or before May 21, 2016 (not incurred);
(3) $800,000 on or before May 21, 2017;
(4) $1,500,000 on or before May 21, 2018;
(5) $2,000,000 on or before May 21, 2019;

On August 16, 2016, the property option agreement was amended as follows: 100% of the property was transferred to the Company with no other liabilities or commitments. In consideration the Company issued 2,000,000 common shares. Eagle Plains will maintain a 2% net smelter royalty, whereby the Company will have the right to buy down such royalty to 1% for $1,000,000 on or before commencement of commercial production.

The Company wrote down the property by $96,677 during the year ended September 30, 2015 as there was no exploration work planned for the property at this stage.

(Expressed in Canadian dollars)

4. Exploration and evaluation assets (continued)

The following is a summary of changes to exploration and evaluation assets:

Expenditures	Virgin River Saskatchewan	Chateau Fort Quebec	Total
Balance at September 30, 2014	$ 96,678	$ -	$ 96,678
Write down of exploration and evaluation assets	(96,677)	-	(96,667)
Additions			
Acquisition costs	-	179,320	179,320
Balance at September 30, 2015	1	179,320	179,321
Additions			
Acquisition and renewal costs	-	7,035	7,035
Balance at September 30, 2016	$ 1	$186,355	$ 186,356

5. Share capital

(a) Authorized

Unlimited common shares with no par value

Issued

(i) During the year ended September 30, 2015, the Company completed a private placement for gross proceeds of $219,450 as follows: issued 671,667 flow-through units at a price of $0.09 per unit and 1,987,500 non-flow-through units at a price of $0.08 per unit. Each unit consists of one flow-through or non-flow-through common share and one share purchase warrant. No value was attributed to the warrant component of the units sold. The Company incurred share issue costs of $23,573.

(ii) During the year ended September 30, 2015, 2,000,000 common shares were issued at a fair value of $0.07 per share to Anthem pursuant to the option agreement in respect of the Chateau Fort gold property, Quebec (Note 4).

(iii) During the year ended September 30, 2016, the Company completed a private placement for gross proceeds of $510,200 as follows: issued 10,204,000 non-flow-through units at a price of $0.05 per unit. Each unit consists of one non-flow-through common share and one share purchase warrant. No value was attributed to the warrant component of the units sold. The Company incurred share issue costs of $31,924.

(Expressed in Canadian dollars)

5. Share capital (continued)

(b) Stock option Plan

The Company has a stock option plan whereby options to purchase common shares are granted by the board of directors to directors, officers, employees and consultants to the Company. Under the terms of the plan, the Company has reserved an amount of common shares for options up to 10% of the issued and outstanding common shares. Options granted under this plan are non-transferable; expire no later than the tenth anniversary of the date the option is granted and must comply with the requirements of the regulatory authorities.

There are no stock options outstanding at September 30, 2016, 2015 or 2014.

(c) Warrants

During the years ended September 30, 2016 and 2015, the Company had the following warrant activities:

Total issued and outstanding	Number of Warrants	Exercise Price	Weighted Average Exercise Price
Balance, September 30, 2014	-	-	-
Issued	2,659,167	$0.20	$0.20
Balance, September 30, 2015	2,659,167		$0.20
Issued	10,204,000	$0.10	$0.10
Balance, September 30, 2016	**12,863,167**		**$0.12**

At September 30, 2016, the following table summarizes information about warrants outstanding:

Total issued and outstanding	Warrants Outstanding	Expiry Date	Exercise Price
	2,659,167	June 3, 2017	$0.20
	7,104,000	June 24, 2018	$0.10
	3,100,000	July 21, 2018	$0.10
Balance, September 30, 2016	**12,863,167**		**$0.12**

(b) Escrow shares

At September 30, 2016, a total of 2,867,250 common shares are held in escrow (2015 - 5,734,500) to be released during the year ended September 30, 2017.

(Expressed in Canadian dollars)

6. Commitments and contingencies

As of September 30, 2016, the Company had $17,600 (2015 - $2,200) in term deposits with a Canadian financial institution for the guarantee of business credit cards.

Under the terms of the Company's by-laws, the Company indemnifies individuals who have acted at the Company's request to be a director and/or officer of the Company. The claims covered by such indemnifications are subject to statutory and other legal limitation periods.

7. Related party transactions

The Company had the following related party transactions during the year:

(a) A director and former officer of the Company provided consulting services to the Company. Fees incurred during the year were $20,000 (2015 - $49,641).

(b) An officer of the Company provided consulting services to the Company. Fees incurred during the year were $15,000 (2015 - $nil).

(c) An officer of the Company provided consulting services to the Company. Fees incurred during the year were $5,000 (2015 - $nil).

(d) A director of the Company provided geological services to the Company. Fees incurred during the year were $5,000 (2015 - $5,000).

(d) The Company paid $2,178 (2015 - $250), which were recorded to administrative expenses, to Eagle Plains which has common directors with the Company.

(e) A wholly-owned subsidiary of Eagle Plains which has common directors with the Company provided exploration services in the amount of $196 (2015 - $18,573) to the Company.

(f) The Company has a loan payable in the amount of $Nil (2015 - $54,938), bearing interest at 10% per annum, to Eros, a company related by a common director. The loan was repaid in the year including $4,501 of accrued interest.

Key Management Compensation	Year ended September 30, 2016	Year ended September 30, 2015
Consulting fees	$ 40,000	$ 49,641
Geological consulting fees	5,000	5,000
	45,000	54,641

(Expressed in Canadian dollars)

8. Segmented information

The Company operates in one operating segment, being the exploration of mineral properties. The Company's exploration and evaluation assets by geographic location are as follows:

	September 30, 2016	September 30, 2015
Saskatchewan, Canada	$ 1	$ 1
Quebec, Canada	186,355	179,320
	$186,356	$179,321

9. Capital management

The Company includes cash and cash equivalents and equity, comprising of issued common shares, contributed surplus and deficit, in the definition of capital.

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 mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but 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 upon external financings to fund activities. In order to carry out planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds 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 September 30, 2016. The Company was not subject to any externally imposed capital requirements, other than maintained term deposits for the guarantee of business cards (note 6).

10. Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks by virtue of its activities. The overall financial risk management program focuses on preservation of capital, and protecting current and future Company assets and cash flows by reducing exposure to risks posed by the uncertainties and volatilities of financial markets.

The types of risk exposure and the way in which such exposures are managed are as follows:

Credit Risk - The Company's credit risk is primarily attributable to its liquid financial assets. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and cash equivalents with high-credit quality financial institutions. The Company does not have financial assets that are invested in asset backed commercial paper.

(Expressed in Canadian dollars)

10. Financial risk management (continued)

Liquidity Risk – The Company ensures that there is sufficient capital in order to meet short term business requirements. The Company had a cash infusion from directors and officers subsequent to year end to provide working capital. The Company believes that these sources will be sufficient to cover the likely short term cash requirements.

Interest rate risk – In respect to the Company's financial assets, the interest rate risk mainly arises from the interest rate impact on our cash and cash equivalents. For the year ended September 30, 2016, every 1% fluctuation in interest rates up or down would have had little impact on net loss.

Commodity price risk – The value of the Company's mineral resource properties is related to the price of various commodities and the outlook for them. Commodity prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial retail demand, central bank lending, forward sales by producers and speculators, level of worldwide production and short-term changes in supply and demand.

Fair Value - The Company has various financial instruments comprised of cash and cash equivalents, trade and other receivables and trade and other payables.

For disclosure purposes, all financial instruments measured at fair value are categorized into one of three hierarchy levels, described below. Each level is based on the transparency of the inputs used to measure the fair values of assets and liabilities:

Level 1 – Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 – Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

September 30, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 246,625	$ -	$ -	$ 246,625

September 30, 2015	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 5,598	$ -	$ -	$ 5,598

(Expressed in Canadian dollars)

11. Income taxes

(a) For the years ended September 30, 2016 and 2015, a reconciliation of income taxes at statutory rates with reported taxes is as follows:

	2016	2015
Loss before income taxes for the year	$ (218,789)	$ (441,926)
Statutory tax rate	26.00%	26.00%
Income tax recovery	(57,000)	(115,000)
Change in statutory and other	19,000	-
Share issue costs	(8,000)	-
Unrecognized tax benefit	46,000	115,000
Deferred income tax expense (recovery)	$ -	$ -

(b) The component of the Company's deferred income tax asset is a result of the origination and reversal of temporary differences and is comprised of the following:

	September 30, 2016	September 30, 2015
Exploration and evaluation assets	$ 84,000	$ 85,000
Share issue costs	15,000	15,000
Non-capital losses carried forward	379,000	332,000
Deferred tax assets	478,000	432,000
Unrecognized deferred tax assets	(478,000)	(432,000)
Net deferred tax assets	$ -	$ -

The significant components of the Corporation's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

	2016	**Expiry Date Range**	**2015**	**Expiry Date Range**
Exploration and evaluation assets	$ 323,000	No expiry date	$ 266,000	No expiry date
Share issue costs	$ 59,000	2017 to 2020	$ 48,000	2034 to 2037
Non-capital losses available for future period	$ 1,459,000	2017 to 2036	$1,278,000	2016 to 2035

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

12. Events after the reporting period

On October 26, 2016, the Company granted 2,750,000 stock options, exercisable at $0.10 per share, and expiring on October 26, 2021. Of the total stock options granted 2,250,000 were issued to directors and officers of the Company.