# BROADWAY GOLD MINING LTD.

(FORMERLY CAROLINA CAPITAL CORP.)

Consolidated Financial Statements

August 31, 2016 and 2015

(Expressed in Canadian Dollars)

## Management's Responsibility for Financial Reporting

To the Shareholders of Broadway Gold Mining Ltd. (formerly Carolina Capital Corp.):

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Audit Committee, which is comprised primarily of Directors who are neither management nor employees of Broadway Gold Mining Ltd. has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of Broadway Gold Mining Ltd.'s external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by the shareholders to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

December 20, 2016

| *"Suzanne Wood"* | *"Donn Burchill"* |
| --- | --- |
| Director | Director |

MNP LLP

## Independent Auditors' Report

To the Shareholders of Broadway Gold Mining Ltd. (formerly Carolina Capital Corp.):

We have audited the accompanying consolidated financial statements of Broadway Gold Mining Ltd. (formerly Carolina Capital Corp.) (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2016 and 2015, the consolidated statements of comprehensive loss, changes in equity, and cash flows, for the years then ended, and the notes comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the consolidated financial statements*

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

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated 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 Company'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 consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Broadway Gold Mining Ltd. as at August 31, 2016 and 2015, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

*Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which discloses matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Broadway Gold Mining Ltd.'s ability to continue as a going concern.

MNP LLP

Vancouver, BC, Canada
December 20, 2016

Chartered Professional Accountant

**BROADWAY GOLD MINING LTD.**

(FORMERLY CAROLINA CAPITAL CORP.)

**Consolidated Statements of Financial Position**

(Expressed in Canadian Dollars)

| | | August 31, 2016 | | August 31, 2015 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **CURRENT** | | | | |
| Cash and cash equivalents | $ | 14,384 | $ | 6,150 |
| Short-term investments (Note 2) | | 155,305 | | 238,783 |
| GST receivables | | 6,400 | | 477 |
| Prepaid expense | | 2,600 | | 2,600 |
| **Total current assets** | | 178,689 | | 248,010 |
| **Exploration and evaluation assets (Note 4)** | | 47,400 | | 140,039 |
| **Long term prepaid expenses (Note 4)** | | 39,930 | | - |
| **TOTAL ASSETS** | $ | 266,019 | $ | 388,049 |
| **LIABILITIES** | | | | |
| **CURRENT** | | | | |
| Accounts payable and accrued liabilities | $ | 99,022 | $ | 9,959 |
| **Total current liabilities** | $ | 99,022 | $ | 9,959 |
| **SHAREHOLDERS' EQUITY** | | | | |
| **Share Capital (Note 5)** | $ | 745,081 | $ | 745,081 |
| **Contributed Surplus** | | 77,601 | | 49,987 |
| **Accumulated Other Comprehensive Income** | | (44) | | - |
| **Deficit** | | (655,641) | | (416,978) |
| **Total shareholders' equity** | | 166,997 | | 378,090 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | $ | 266,019 | $ | 388,049 |

These consolidated financial statements are authorized for issuance by the Board of Directors on December 20, 2016.

On behalf of the Board of Directors:

| | |
|---|---|
| *"Suzanne Wood"* | *"Donn Burchill"* |
| Director | Director |

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

**BROADWAY GOLD MINING LTD.**

(FORMERLY CAROLINA CAPITAL CORP.)

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

(Expressed in Canadian dollars)

| | August 31, 2016 | August 31, 2015 |
|---|---|---|
| OPERATING EXPENSES | | |
| Accounting and audit fees | 35,629 | 33,154 |
| Consulting fees | 1,654 | - |
| General office expenses | 764 | 1,050 |
| Legal fees | 33,562 | 4,926 |
| Project investigation (Note 6b and 6c) | 78,895 | 7,500 |
| Office rent | 1,200 | 1,200 |
| Shareholder information & communication | 765 | 647 |
| Share-based compensation | 27,614 | - |
| Transfer agent and filing fees | 17,509 | 15,883 |
| Foreign exchange loss | 24 | - |
| | (197,616) | (64,360) |
| OTHER INCOME (EXPENSES) | | |
| Write down (recovery) of other receivable (Note 7) | 50,000 | (50,000) |
| Write down of exploration and evaluation asset (Note 7) | (92,639) | - |
| Interest income | 1,592 | 2,295 |
| | (41,047) | (47,705) |
| NET (LOSS) AND COMPREHENSIVE (LOSS) FOR THE YEAR | (238,663) | (112,065) |
| LOSS PER SHARE, Basic and Diluted | $ (0.02) | $ (0.01) |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING- Basic and Diluted | 9,650,000 | 9,480,220 |

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

**BROADWAY GOLD MINING LTD.**

FORMERLY CAROLINA CAPITAL CORP.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(Expressed in Canadian dollars)

| | **Number of Shares** | **Capital Stock** | **Contributed Surplus** | **AOCI** | **Deficit** | **Total** |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| **Balance, August 31 2014** | 9,350,000 | 733,081 | 49,987 | - | (304,913) | 478,155 |
| Shares issued for mineral property fair value at $0.04 per share | 300,000 | 12,000 | - | - | - | 12,000 |
| Net loss and comprehensive loss for the year | - | - | - | - | (112,065) | (112,065) |
| **Balance, August 31, 2015** | **9,650,000** | **745,081** | **49,987** | **-** | **(416,978)** | **378,090** |
| Stock options granted during the year | - | - | 27,614 | - | - | 27,614 |
| Currency Exchange | - | - | - | (44) | - | (44) |
| Net lost and comprehensive loss for the year | - | - | - | - | (238,663) | (238,663) |
| **Balance, August 31, 2016** | **9,650,000** | **745,081** | **77,601** | **(44)** | **(665,641)** | **166,997** |

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

**BROADWAY GOLD MINING LTD.**

(FORMERLY CAROLINA CAPITAL CORP.)

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in Canadian dollars)

| | August 31, 2016 | August 31, 2015 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net (loss) for the year | $ (238,663) | $ (112,065) |
| Items not involving cash: | | |
| Write down of other receivable | - | 50,000 |
| Write down of exploration & evaluation asset | 92,639 | - |
| Share based compensation | 27,614 | - |
| Changes in non-cash working capital items: | | |
| GST receivables | (5,923) | (119) |
| Accounts payable and accrued liabilities | 88,996 | 5,872 |
| **Cash (used in) operating activities** | (35,337) | (56,312) |
| **FINANCING ACTIVITY** | | |
| Loans received | (439) | 50,634 |
| **Cash from financing activities** | (439) | 50,634 |
| **INVESTING ACTIVITIES** | | |
| Short term investments | 83,478 | - |
| Prepaid for mineral properties | (39,930) | - |
| **Cash (used in) provided by investing activities** | 43,548 | - |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 7,772 | (5,678) |
| Effect of exchange rate fluctuations | 462 | - |
| **Cash and Cash Equivalents, beginning of year** | 6,150 | 11,828 |
| **Cash and Cash Equivalents, end of year** | $ 14,384 | $ 6,150 |
| **Supplemental cash flow information:** | | |
| Shares issued for exploration and evaluation assets | $ - | $ 12,000 |

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

## 1. NATURE OF OPERATIONS

Broadway Gold Mining Ltd. (formerly Carolina Capital Corp.) or (the "Company") was incorporated under the Business Corporations Act of British Columbia on July 26, 2010. The head office and principal address of the Company is #507 – 595 Howe Street, Vancouver, B.C., V6C 2T5. Subsequent to the completion of the Acquisition of the Madison Project as further described under Note 13, Subsequent Events, the Company trades on the TSX Venture Exchange under the symbol "BRD".

The Company was a capital pool company as defined by the rules of the TSX Venture Exchange ("Exchange") in Policy 2.4 of the Exchange and on March 26, 2013, received Exchange approval for its Qualifying Transaction and commenced trading on the Exchange as a Tier 2 Mining Issuer. Effective March 26, 2013, the Company acquired the GP Property located in British Columbia, Canada. Subsequent to the end of the period, the Company entered into an agreement through its subsidiary to acquire a 100% interest in six (6) patented and 35 unpatented claims in the Madison Property located in Montana, USA and the Company's principal business activity will be the exploration of mineral resources on the Madison Property.

## 2. BASIS OF PREPARETION AND GOING CONCERN

a) Statement of compliance

These consolidated financial statements of the Company and its subsidiary are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issue by the Board of Directors on December 20, 2016.

b) Going concern

These consolidated financial statements have been prepared on a going concern basis, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

As at August 31, 2016, the Company had working capital of $79,667 (2015: $238,051). As at August 31, 2016, the Company also has an accumulated deficit of $655,641 (2015: $416,978). Subsequent to the end of the year, the Company completed a financing for gross proceeds of $990,000 so the Company has working capital to fund its operations for the next twelve months, but may be reliant upon future equity financing to fund its operations and advance the development of its exploration mining business.

Mineral exploration involves a high degree of risk and there is no assurance that exploration projects will result in future profitable operations. The business is subject to risk, market conditions, supply and demand and competition. The Company has cash requirements to meet its administrative overhead and maintain its exploration and evaluation assets. The recoverability of amounts shown for exploration and evaluation assets is dependent on several factors. These factors include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and the future profitable production or proceeds from disposition of exploration and evaluation assets. The carrying value of the Company's exploration and evaluation assets reflect historical costs incurred and is not intended to reflect current or future values.

## 2. BASIS OF PREPARETION AND GOING CONCERN (cont'd…)

b) Going concern (cont'd…)

There can be no assurance that the Company will be able to continue to raise funds in the future in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the statement of financial position. These consolidated 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 operations.

c) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in note 3.

d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars. The functional currency of the Company is the Canadian dollar. Its subsidiary's functional currency is US dollar.

e) Use of estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the reported amount of expenses for the periods reported. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be relevant. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, and may change if new information becomes available. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The Company did not adopt any new accounting standard changes or amendments effective September 1, 2015 that had a material impact on these consolidated financial statements

a) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its wholly owned subsidiary, Broadway Gold Corp., which was incorporated on July 28, 2016, under the laws of State of Montana, USA.

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated in preparing the consolidated financial statements.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)**

b) Foreign currency translation

Transactions denominated in foreign currencies are translated to the functional currency of the Company and its subsidiary at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date. Non-monetary assets and liabilities are translated at historical exchange rates prevailing at each transaction date. Revenues and expenses are translated at exchange rates prevailing on the date of transactions. All exchange gains and losses are included in determination of earnings.

c) Financial instruments

(i) Financial assets

All financial assets are initially recorded at fair value and classified upon inception into one of the categories including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, or available for sale.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss.

Financial assets classified as loans and receivables are measured at amortized cost. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss.

The Company classifies cash and cash equivalents and short term investments as FVTPL, accounts receivable as loans and receivables. Transactions costs associated with financial assets at FVTPL are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

(ii) Financial liabilities

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

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 costs using the effective interest rate method. The effective interest rate 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 discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The Company's accounts payable and accrued liabilities 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 in this category unless they are designated as hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss. The Company has no financial liabilities classified as FVTPL.

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)**

d) Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity of IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant estimates and used in preparing the financial statements include, but are not limited to:

(i) Impairment of long lived assets

Determining the amount of impairment of long lived assets requires an estimation of the recoverable amount, which is defined as the higher of fair value less the cost of disposal or value in use. Many of factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. These changes may result in future impairments in the Company' long term assets such as property, plant and equipment and exploration and evaluation assets.

(ii) Current and deferred taxes

Accounting for income taxes is a complex process requiring management to interpret frequently changing laws and regulations and make judgments relating to the application of tax law, the estimated timing of temporary difference reversals, and the estimated realization of tax assets. All tax filings are subject to subsequent government audits and potential reassessment. These interpretations, judgments and changes related to them impact current and deferred tax provisions, deferred income tax assets and liabilities and results of operations.

(iii) Share-based payments

The fair value of stock options issued are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Significant judgments used in the preparation of these consolidated financial statements include, but are not limited to:

(i) Going concern

Management has applied judgements in the assessment of the Company's ability to continue as a going concern when preparing its financial statements for the year ended August 31, 2016. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Please refer to note 2 for additional information.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd…)

d) Significant accounting estimates and judgments (cont'd…)

(ii) Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures capitalized requires judgment in determining which expenditures are recognized as exploration and evaluation assets and applying the policy consistently. In making this determination, the Company considers the degree to which the expenditure can be associated with finding specific mineral resources.

(iii) Decommissioning obligations

The provision for decommissioning obligations is based on numerous assumptions and judgements including the ultimate settlement amounts, inflation factors, risk free discount rates, timing of settlement and changes in the applicable legal and regulatory environments. To the extent future revisions to these assumptions impact the measurement of the existing decommissioning obligation, a corresponding adjustment is made to the property, plant and equipment balance.

e) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, deposits in banks and highly liquid investments having terms to maturity of three months or less at the time of issuance.

f) Short-term investments

Short-term investments are investments that are transitional or current in nature, with an original maturity greater than three months but less than twelve months. As at August 31, 2016, the Company has short-term investment of $155,305, including accrued interest, including accrued interest, (2015: $238,783) due on March 10, 2017 with an annual yield of prime rate less 2.10% (2015: Prime rate less 1.95%).

g) Exploration and evaluation assets

Expenditures incurred before the Company has obtained legal rights to explore an area are recognized in the consolidated statement of operation as exploration expenses.

Exploration and evaluation assets reflect expenditures for an area where technical feasibility and commercial viability have not yet been determined. Expenditures, including, but are not limited to, land acquisition, geological and geophysical studies, exploratory drilling and sampling and directly attributable employee salaries and benefits are capitalized and accumulated pending determination of technical feasibility and commercial viability.

Exploration and evaluation assets are not depleted. When assets are determined to be technically feasible and commercially viable, the accumulated costs are tested for impairment and the recoverable amount is transferred to property, plant and equipment. Upon transfer of exploration and evaluation costs into property, plant and equipment, all subsequent expenditures on the construction, installation or completion of infrastructure facilities are capitalized within mine development. After production starts, all assets included in mine development costs are transferred to producing mines. At such time as commercial production commences, these expenditures will be charged to operations on a unit-of-production method based on proven and probable resources.

Exploration and evaluation assets are also assessed for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The aggregate costs related to abandoned exploration and evaluation assets are charged to operations at the time of any abandonment or when it has been determined that there is evidence of a permanent impairment.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd…)

h) Impairment

(i) Financial assets

Financial assets not carried at fair value through profit or loss are assessed for impairment at each reporting date by determining whether there is objective evidence that indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset can be estimated reliably.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated by reference to the higher of the value in use and fair value less costs to sell. Fair value less costs to sell is defined as the estimated price that would be received on the sale of the asset in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discounted rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other groups of assets.

An impairment loss is recognized if the carrying amount of an asset or group of assets exceeds the estimated recoverable amount. Impairment losses are recognized in profit or loss.

When impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimated 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 in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

i) Asset retirement obligation

The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow. As at August 31, 2016, the Company did not have any asset retirement obligations.

j) Provisions

Provisions for legal or constructive obligations are recognized when the Company has a present legal or constructive obligation that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

k) Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case it is recognized in other comprehensive income in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd…)

k) Income taxes (cont'd…)

Deferred tax is recorded using the statement of financial position liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 enacted or substantively enacted at the balance sheet date.

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. 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 taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

l) Share Capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash are valued based on their market value at the date the agreement to issue shares was concluded.

m) Basic and diluted loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method. This method assumes that common shares are issued for the exercise of options, warrants and convertible securities and that the assumed proceeds from the exercise of options, warrants and convertible securities are used to purchase common shares at the average market price during the period. The difference between the number of shares assumed issued and the number of shares assumed purchased is then added to the basic weighted average number of shares outstanding to determine the fully diluted number of common shares outstanding. No exercise or conversion is assumed during the periods in which a net loss is incurred as the effect is anti-dilutive.

n) Share-based compensation

The Company's stock option plan allows employees and consultants to acquire shares of the Company. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. The fair value of the share-based payment is measured using the Black-Scholes option pricing model. The fair value of the share-based payment is recognized as an expense or capitalized to share capital with a corresponding increase in contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the related reserves amount is transferred to share capital.

o) Related party transactions

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. Parties are also considered to be related if they are subject to common control. 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.

p) Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

**3. SIGNIFICANT ACCOUNTING POLICIES** (cont'd…)

q) New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods noted below. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

*New accounting standards effective September 1, 2016*

(i) IAS 1 – Presentation of Financial Statements

In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment 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. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

*Standard effective for annual periods beginning on or after September 1, 2018*

(ii) IFRS 9 Financial Instruments

This is a finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39. The standard contains requirements in the following areas:

- Classification and measurement - Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

- Impairment - The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.

- Hedge accounting - Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

- Derecognition - The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 with early adoption permitted, and must be applied retrospectively with some exemptions permitted.

(iii) IFRS 16 Leases

On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted.

**(Expressed in Canadian Dollars)**

## 4. EXPLORATION AND EVALUATION ASSETS AND LONG TERM PREPAID EXPENSES

The Company's exploration and evaluation assets are comprised of properties located in British Columbia Canada (the GP Property) and in Montana, USA (the Madison Property). Capitalized expenditures are as follows:

| | GP Property | Madison Property |
|---|---|---|
| Balance, August 31, 2014 | $ 128,039 | $ - |
| Expenditures during the year | | |
| Acquisition costs | 12,000 | - |
| Net expenditures during the year | 12,000 | - |
| Balance, August 31, 2015 | 140,039 | - |
| Expenditures during the year | | |
| Assessment and taxes | - | 32,810 |
| Permits, assay and testing | - | 7,120 |
| Write down due to impairment | (92,639) | - |
| Net expenditures during the year | (92,639) | 39,930 |
| Balance, August 31, 2016 | $ 47,400 | $ 39,930 |

(a) GP Property, British Columbia

On November 20th, 2012, the Company entered into an Option Agreement to earn a 100% interest in the GP Property. In order to maintain the Option in good standing the Company is required to: incur exploration expenditures to a total of $100,000 on or before the first anniversary of the date of Exchange approval, make cash payments to the vendors of the Option of $10,000 upon receipt of the Technical Report and $15,000 at the time of Exchange approval and issue 700,000 shares (200,000 upon Exchange approval, 200,000 on the first anniversary of Exchange approval and 300,000 on or before the second anniversary. All payments have been made and share commitments have been issued. During the year the Company recorded an impairment on the property and wrote down the asset by $92,639 to a residual amount of $47,400. The carrying value of the GP Property of $47,400 is believed to be the current fair market value of the asset as the Option remains in good standing.

(b) Madison Property, Montana

On July 21, 2016, the Company through its subsidiary entered into an agreement to purchase 100% right, title and interest in 450 acres of land with a 192 acre ranch, buildings, mine equipment and fixtures and 6 patented and 35 unpatented mineral claims situated in Madison County, Montana. The agreement called for a cash payment of CDN$250,000 (inclusive of the US$25,000 paid on May 18, 2016 towards the annual property payment) and the issuance of 500,000 common shares on the First and Second Anniversary and CDN$100,000 upon attainment of commercial production. The acquisition is also subject to an annual payment equal to the greater of a 2% NSR or US$50,000 (of which the Company paid US$25,000 towards the 2016 payment).

Final TSX approval for the closing of the transaction was received on September 30, 2016.

As at year ended August 31, 2016, the Company has paid $39,930 for the acquisition and the permits fee which has been treated as long term prepaid expenses.

**(Expressed in Canadian Dollars)**

## 5. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

(b) Issued and outstanding

*During the year ended August 31, 2016 – 9,650,000 common shares:*
During the year ended August 31, 2016 the Company did not issue any common shares.

*During the year ended August 31, 2015 – 9,650,000 common shares:*
During the year ended August 31, 2015, the Company issued 300,000 shares pursuant to the Option Agreement on the GP Property. The shares were recorded at the fair market value of $0.04 per share.

(c) Stock options

The Company has an incentive stock option plan (the "Option Plan") allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares of the Company at any given time. The term of any stock option granted under the Plan may not exceed five years and the exercise price may not be less than the discounted market price on the grant date. All options granted under the plan shall vest and become exercisable in full upon grant, except options granted to consultants performing investor relations activities, whose options must vest in stages over twelve months with no more than one quarter of the options vesting in any three-month period.

The purpose of the Plan is to provide directors, officers and key employees and certain other persons who provided services to the Company and its subsidiary with an increased incentive to contribute to the future success and prosperity of the Company.

During the year 2016, the Company granted an aggregate of 950,000 stock options to various directors at an exercise price of $0.05 per share for a period of five years from the date of grant. The stock options vested immediately. The Company recorded $27,614 as share-based compensation as a result of granting the above noted stock option.

A summary of option activity for the years ended August 31, 2016 and 2015 is as follows:

| | Number of Options | Weighted Average Exercise Price | Expiry Date |
|---|---|---|---|
| **Balance, August 31, 2014** | 500,000 | $0.12 | |
| Expired during the year | (100,000) | 0.20 | May 2, 2015 |
| **Balance, August 31, 2015** | 400,000 | $0.10 | December 14, 2015 |
| Expired during the year | (400,000) | - | - |
| Granted during the year | 950,000 | $0.05 | February 15, 2021 |
| **Balance, August 31, 2016** | 950,000 | $0.05 | February 15, 2021 |

As at August 31, 2016, these options have a weighted average remaining contractual life of 4.46 years.

(Expressed in Canadian Dollars)

## 5. SHARE CAPITAL (cont'd…)

(c) Stock options (cont'd…)

The Company calculated fair market value of the 950,000 stock options by using Black-Scholes fair value option-pricing model and the following assumptions were used:

| | August 31, 2016 |
|---|---|
| Risk-free interest rate | 0.49% |
| Expected life of stock options | 2 years |
| Annualized volatility | 52% |
| Dividend rate | 0.00% |

Option valuation models require the use of highly subjective assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and therefore, in management's opinion, existing models do not necessary provide reliable measure of the fair value of the Company's stock options.

(d) Share Purchase Warrants

There were no warrants outstanding as at August 31, 2016 and 2015.

## 6. RELATED PARTY TRANSACTIONS

Balances and transactions with related parties not disclosed elsewhere in these consolidated financial statements are as follows:

(a) For the year ended August 31, 2016, the Company incurred accounting, filing services, administrative services and rent expense of $30,200 (2015: $19,800) to a company owned by one of its directors. Included in accounts payable and accrued liabilities, $ 9,033 (2015: $1,681) is payable to a company owned by one of its directors.

(b) For the year ended August 31, 2016, the Company incurred project investigation expenses of $29,488 to a company owned by one of its directors (2015: $7,500). As at August 31, 2016, the amount of $34,160 has not been paid and included in accounts payable and accrued liabilities.

(c) For the year ended August 31, 2016, the Company incurred project investigation expenses of $33,000 to a company owned by one of its directors (2015: $nil). As at August 31, 2016, the amount of $39,915 has not been paid and included in accounts payable and accrued liabilities.

## 7. IMG RECOVERY

On April 7, 2014, the Company had entered into a non-binding Letter of Intent ("LOI") with IMG Gold Recovery Inc. ("IMG") to form a joint venture whereby the Company and IMG will build and operate a precious metals toll mill and recovery facility. On June 27, 2014 the LOI was extended to September 30, 2014. On July 21, 2014, the Company signed an addendum with IMG to provide $50,000 for capital expansion of IMG's pilot plant in Burnaby, BC. On October 14, 2014 the Company reported that its non-binding Letter of Intent with IMG had expired and the Company wrote off the non-refundable deposit as project investigation cost. During the fiscal year 2015, the capital expansion of IMG's pilot plant in Burnaby was delayed due to a variety of circumstances and management had written down the receivable balance as a result of uncertainty of the outcome of the metals stream project. On March 31, 2016, the Company entered into a Mutual Release with IMG Gold Recovery Inc. ("IMG") to release each other of any further obligations in connection with addendum agreement dated July 21, 2014 and the Company received a payment of $50,000 from IMG as a final settlement to mutually terminate the addendum.

## 8. FINANCIAL RISK MANAGEMENT

The Company's financial assets consist of cash and cash equivalents, short-term investments and other receivable. The estimated fair values of cash and cash equivalents, short-term investments and other receivable approximate their respective carrying values due to the short period to maturity.

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:

a. Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities
b. Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
c. Level 3 – inputs that are not based on observable market data.

For the years ended August 31, 2016 and 2015, the fair value of cash and cash equivalents and short-term investments were measured using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of counterparty limits, controlling and reporting structures. 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 a loss in a counterparty to a financial instrument that fails to meet its contractual obligations. The Company's exposure to credit risk is limited to its cash and cash equivalents and short-term investments. The Company limits its exposure to credit risk by holding its cash and cash equivalents and short-term investments in deposits with high credit quality Canadian financial institutions.

Cash and cash equivalents consist of cash bank balances and short-term deposits. The Company's short-term investments are held with a Canadian chartered bank and are monitored to ensure a stable return. The Company's short-term investments currently consist of term deposits as it is not the Company's policy to utilize complex, higher-risk investment vehicles. The carrying amount of accounts receivable and cash and cash equivalents represents the maximum credit exposure. The Company does not have an allowance for doubtful accounts. As at August 31, 2016, there were no significant amounts past due or impaired.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The Company ensures, as far as reasonably possible, it will have sufficient capital in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company believes that these sources will be sufficient to cover the likely short-term cash requirements. The Company's cash and cash equivalents are currently invested in business accounts which are available on demand by the Company for its operations.

*Interest Rate Risk*

The Company invests part of the cash balance in a variable rate GIC. Any change to market rates result in interest rate risk. The exposure to interest rate risk, however, is limited due to the short-term nature of variable rate GIC.

(Expressed in Canadian Dollars)

## 8. FINANCIAL RISK MANAGEMENT (cont'd…)

*Foreign Exchange Risk*

Foreign currency exchange risk is the risk that future cash flows, net income and comprehensive income will fluctuate as a result of changes in foreign exchange rates. The Company has foreign exchange risk due to its activities carried out in Montana, USA but it is not viewed to be significant by the Company as the US dollar has remains consistently stable.

## 9. CAPITAL MANAGEMENT

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 and exploration of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital that it manages as share capital and cash equivalents.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on equity financing to fund its activities. 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 years ended August 31, 2016 and 2015.

## 10. SEGMENTED INFORMATION

The Company and its subsidiary are considered to be operating in one operating segment that being the exploration of mineral properties, based on its business nature and strategic decision making method.

The Company is located and operated in USA and Canada. The Company's corporate offices are located in Canada and its mineral exploration activities will be conducted in Montana, USA. Total assets by geographic locations are $51,254 and $214,765 for USA and Canada, respectively. Net loss by geographic locations are $5,064 and $233,599 for USA and Canada, respectively.

## 11. INCOME TAXES

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended August 31, 2016 and 2015:

| | August 31, 2016 | August 31, 2015 |
|---|---|---|
| Loss before taxes | 238,663 | 112,065 |
| Statutory rate | 26% | 26% |
| Expected income tax (recovery) | $ 62,052 | $ 29,137 |
| Non-deductible items | (7,188) | - |
| Change in estimates | (11,642) | 8,358 |
| Functional currency adjustments | 15 | - |
| Foreign tax rate difference | 407 | - |
| Change in deferred tax asset not recognized | (43,644) | (37,495) |
| Income tax expense (recovery) | $ - | $ - |

(Expressed in Canadian Dollars)

## 11. INCOME TAXES (cont'd…)

Due to the uncertainty surrounding the realization of future taxable profits, the Company did not recognize any deferred tax assets at August 31, 2016 and August 31, 2015.

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. Unrecognized deductible temporary differences as at August 31, 2016 and 2015 are comprised of the following:

| Canada | August 31, 2016 | August 31, 2015 |
|---|---|---|
| Non-capital loss carry forwards | $ 627,111 | $ 558,567 |
| Exploration and evaluation assets | 142,639 | 50,000 |
| Unrecognized deductible temporary differences | 769,750 | 608,567 |

| USA | August 31, 2016 | August 31, 2015 |
|---|---|---|
| Non-capital loss carry forwards | $ 5,108 | $ - |
| Unrecognized deductible temporary differences | 5,108 | - |

As at August 31, 2016, the Company has Canadian non-capital losses of approximately $627,111 (2015 - $558,567) which may be carried forward and applied against taxable income in future years, subject to final determination by tax authorities and expiring as follows:

| | Canada |
|---|---|
| 2030 | $ 39,130 |
| 2031 | 94,715 |
| 2032 | 105,194 |
| 2033 | 121,601 |
| 2034 | 67,997 |
| 2035 | 85,152 |
| 2036 | 113,322 |
| | $ 627,111 |

In addition, the Company has capital loss in Canada of $25,000, which may be carryforward indefinitely and apply to reduce future capital gains. The Company has net operating loss carryforwards of approximately $5,108 (2015 - $nil) which may be carried forward to apply against future year income tax for US tax purposes, expiring 2036.

## 12. COMMITMENTS

See Note 4.

## 13. SUBSEQUENT EVENTS

a) On July 21, 2016, the Company signed a Definitive Asset Purchase Agreement to acquire the Madison Gold and Copper Mine. The Company will acquire a 100% right, title and interest in a 192 acre ranch, all patented and unpatented claims, buildings, mining equipment and fixtures for a cash payment of CDN$250,000 (inclusive of the US$25,000 deposit) upon closing of the transaction, 500,000 common shares on the First Anniversary, 500,000 common shares on the Second Anniversary and CDN$100,000 upon attainment of commercial production.

   On September 30, 2016 the Company received final TSX approval to close the transaction, change its name to Broadway Gold Mining Ltd., and commence trading under a new symbol “BRD”.

   Concurrently with the completion of the transaction, the Company completed a non-brokered private placement of 16,500,000 Units at a price of $0.06 per Unit for gross proceeds of $990,000. Each unit consisted of one common share and one non-transferable share purchase warrant with each whole warrant entitling the holder to acquire one additional common share for a period of three years for $0.10 per warrant share.

b) Subsequent to August 31, 2016, the Company granted an aggregate of 2,100,000 stock options to eligible participants including directors and advisors to purchase common shares at $0.115 per share, exercisable for a period of five years from the date of issuance.

c) Subsequent to August 31, 2016, two directors of the Company exercised their stock options. 425,000 common shares were issued after the options were exercised.