Bearing Resources Ltd.

Consolidated Financial Statements

For the Year Ended October 31, 2016

(Expressed in Canadian dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Bearing Resources Ltd.

We have audited the accompanying consolidated financial statements of Bearing Resources Ltd., which comprise the consolidated statement of financial position as at October 31, 2016, and the statements of loss and comprehensive loss, shareholders' 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 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 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 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 the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained 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 Bearing Resources Ltd. as at October 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements of Bearing Resources Ltd. as at October 31, 2015 and for the year then ended were audited by another auditor who expressed an unmodified opinion on those statements on February 11, 2016.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
February 27, 2017

Bearing Resources Ltd.

Consolidated Statement of Financial Position

As at October 31, 2016 and 2015

(Expressed in Canadian dollars)

	Note	2016 $	2015 $
ASSETS			
Current assets			
Cash		1,856,756	573,816
Accounts receivable		18,032	4,790
Prepaid expense		24,337	-
Investment in marketable securities	5	600,001	1
		2,499,126	578,607
Non-current assets			
Reclamation bond		21,993	21,942
Mineral property interests	6	4	248,329
		2,521,123	848,878
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	45,779	22,419
SHAREHOLDERS' EQUITY			
Common shares	8	9,677,738	8,677,789
Contributed surplus	8	5,770,948	5,023,092
Accumulated other comprehensive income		-	3,267
Deficit		(12,973,342)	(12,877,689)
Total shareholders' equity		2,475,344	826,459
Total liabilities and shareholders' equity		2,521,123	848,878

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

Subsequent Events *[Note 12]*

These consolidated financial statements were approved for issuance by the Board of Directors on February 27, 2017 and signed on its behalf by:

/s/ Kirk Shaw
Director

/s/ Jeremy Poirier
Director

Bearing Resources Ltd.

Consolidated Statement of Loss and Comprehensive Loss

For the years ended October 31, 2016 and 2015

(Expressed in Canadian dollars)

	Note	2016 $	2015 $
Exploration costs			
Expenditures		22,442	1,645
Write –downs of mineral property interests	6	-	345,057
		22,442	346,702
Operating expenses			
Audit, filing and legal fees		89,026	56,447
Consulting and labour	7	65,159	98,530
Office		12,832	20,960
Other costs		2,774	2,113
Share-based payment expense	8	275,346	-
		(467,579)	(524,752)
Other income (expense)			
Gain on disposition of Mexican subsidiaries	4	488,129	-
Foreign exchange gain		3,652	10,633
Interest income		145	5,410
Loss on disposal of shares		-	(1,570)
Unrealized loss on investment	5	(120,000)	-
		371,926	14,473
Net loss for the year		(95,653)	(510,279)
Other comprehensive expense			
Items that may be reclassified subsequently to loss for the year			
Foreign currency translation adjustment		-	(2,019)
Reclassification of foreign currency translation adjustment		(3,267)	-
Comprehensive loss		(98,920)	(512,298)
Basic and diluted loss per common share		0.01	0.08
Weighted average number of common shares outstanding		6,801,179	6,472,412

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

Bearing Resources Ltd.
Consolidated Statement of Shareholders' Equity
For the year ended October 31, 2016 and 2015
(Expressed in Canadian dollars)

	Common Shares					
	No. of shares	Amount	Contributed Surplus	AOCI	Deficit	Shareholders' equity
	#	$	$	$	$	$
Balance, October 31, 2014	6,472,412	8,677,789	5,023,092	5,286	(12,367,410)	1,338,757
Foreign currency translation adjustment	-	-	-	(2,019)	-	(2,019)
Net loss for the year	-	-	-	-	(510,279)	(510,279)
Balance, October 31, 2015	6,472,412	8,677,789	5,023,092	3,267	(12,877,689)	826,459
Issued for cash pursuant to private placement *[note 8]*	12,000,000	1,104,000	456,000	-	-	1,560,000
Share issuance costs *[note 8]*	-	(87,541)	-	-	-	(87,541)
Finders warrants *[note 8]*	-	(16,510)	16,510	-	-	-
Share-based payment expense *[note 8]*	-	-	275,346	-	-	275,346
Disposition of Mexican subsidiaries *[note 4]*	-	-	-	(3,267)	-	(3,267)
Net loss for the year	-	-	-	-	(95,653)	(95,653)
Balance, October 31, 2016	18,472,412	9,677,738	5,770,948	-	(12,973,342)	2,475,344

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

Bearing Resources Ltd.

Statements of Cash Flow

For the years ended October 31, 2016 and 2015

(Expressed in Canadian dollars)

	2016 $	2015 $
OPERATING ACTIVITIES		
Net loss for the year	(95,653)	(510,279)
Add items not affecting cash:		
Gain on disposition of Mexican subsidiaries	(488,129)	-
Share-based payment expense	275,346	-
Unrealized loss on investment	120,000	-
Unrealized foreign exchange	(3,267)	-
Accrued interest income	(51)	-
Loss on disposal of shares	-	1,570
Mineral property write-downs	-	345,057
Unrealized foreign exchange (gain)	-	(10,633)
Changes in non-cash working capital items relating to operations:		
Accounts receivable	(11,788)	(46)
Prepaid expenses and other	(24,337)	-
Accounts payable and accrued liabilities	23, 360	4,928
Cash used in operating activities	(204,519)	(169,403)
INVESTING ACTIVITIES		
Proceeds from disposition of subsidiaries	15,000	-
Proceeds of investment disposition	-	5,630
Cash provided by investing activities	15,000	5,630
FINANCING ACTIVITIES		
Issuance of common shares, net of issuance costs	1,472,459	-
Cash provided by financing activities	1,472,459	-
Effect of exchange rate changes on cash and cash equivalents	-	8,614
Increase (decrease) in cash and cash equivalents	1,282,940	(155,159)
Cash and cash equivalents, beginning of the year	573,816	728,975
Cash and cash equivalents, end of the year	1,856,756	573,816

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

1. NATURE OF OPERATIONS

Business Description

Bearing Resources Ltd. (the "Company" or "Bearing") is engaged in the exploration and development of mineral properties. The Company's registered office is 2600-1066 West Hastings Street, Vancouver, British Columbia, Canada.

On September 23, 2016, the Company completed a transaction with Commander Resources Ltd. ("Commander") whereby Bearing transferred certain of its Canadian mineral property interests to its wholly owned subsidiaries, BRZ Mex Holdings Ltd. ("BRZM") and Minera BRG SA de CV ("Mexican subsidiaries"). Subsequent to the transfer of the mineral property interests, Bearing transferred its shareholdings in the Mexican subsidiaries to Commander in exchange for 12,000,000 common shares of Commander and payment of $15,000 ("Commander Agreement")(note 4).

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements of the Company for the year ended October 31, 2016 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on February 27, 2017.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial assets and financial liabilities to fair value.

These consolidated financial statements included the accounts of the Company and its Mexican subsidiaries for the year ended October 31, 2015 and up to the disposition of both subsidiaries on September 23, 2016. All intercompany transactions, balances, income and expenses have been eliminated on consolidation.

The Company controls an investee if the Company has:

(i) power over the investee;
(ii) exposure, or rights, to variable returns from its involvement with the investee; and
(iii) the ability to use its power over the investee to affect its returns.

2. BASIS OF PREPARATION (CONTINUED)

Basis of measurement (continued)

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including but not limited to:

(i) the contractual arrangement with the other vote holders of the investee;
(ii) rights arising from other contractual arrangements; and
(iii) the Company's potential voting rights.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in loss and comprehensive loss from the date that the Company gains control until the date that the Company ceases to control the subsidiary.

Critical accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant Judgments

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

i. Management is required to assess the functional currency of the Company. In concluding that the Canadian dollar is the functional currency of the Company, management considered the currency that mainly influences the operating expenditures in the jurisdiction in which the Company operates.

ii. 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 transfer and title may be affected by undetected defects.

iii. The Company determined that the transfer of the shares of BRZM represented a loss of control of the subsidiary resulting in the de-recognition of the assets and liabilities of BRZM from the consolidated financial statements.

2. BASIS OF PREPARATION (CONTINUED)

Critical accounting judgments, estimates and assumptions (continued)

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the current and next fiscal financial years:

i. Judgment is required in determining whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the date of the statement of financial position could be impacted

   Additionally, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

   The Company has not recorded any deferred tax assets.

ii. Management uses the Black-Scholes Option Pricing Model for valuation of share based compensation and brokers' warrants, which requires the input of subjective assumptions including expected price volatility, risk-free interest rates and forfeiture rates. Changes in the input assumptions can materially affect the fair value estimate and the Company's results of operations and equity reserves.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

The functional currency of the Company and each of its subsidiaries is the currency of the primary economic environment in which they operate. The consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency. The Company's Mexican subsidiaries had a Mexican peso functional currency. Transactions in other than an entity's functional currency are recorded at exchange rates prevailing on the dates of the transactions.

The consolidated financial statements of subsidiaries that have a functional currency other than the Canadian dollar were translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate for the period. All resulting changes are recognized in other comprehensive income as foreign currency translation adjustments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exploration and evaluation costs

Exploration and evaluation costs include costs to acquire rights to explore, geological studies, exploratory drilling and sampling and directly attributable administrative costs.

Exploration and evaluation costs relating to non-specific projects or properties or those incurred before the Company has obtained legal rights to explore an area are expensed in the period incurred. Property acquisition costs are capitalized. Exploration and evaluation costs, other than property acquisition costs, are recognized as mineral property interests on the statement of financial position when management has established that a resource exists and that the costs can be economically recovered. Once the technical feasibility and commercial viability of the extraction of resources from a particular mineral property has been determined, exploration and evaluation assets are reclassified to mine properties within property, plant and equipment.

Proceeds from the sale of properties or cash proceeds received from option payments are recorded as a reduction of the related mineral property interest.

Asset impairment

The Company performs impairment tests on mineral properties, when events or circumstances occur which indicate the assets may not be recoverable. Impairment assessments are carried out on project by project basis with each project representing a single cash generating unit.

When impairment indicators are identified, an impairment loss is recognized for any amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Income taxes

Deferred income tax is recognized using the liability method on temporary differences arising between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years. Deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognized only to the extent that it is probable that future profit will be available against which such assets can be utilized.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Valuation of equity units

The Company has adopted a pro-rata method for the measurement of shares and warrants issued as units in financing arrangements. The pro-rata method requires the gross proceeds and the related share issuance costs be allocated to the common shares and the warrants based on the relative fair value of each component.

The fair value of the common shares is based on the closing price on the closing date of the transaction using the Black-Scholes Option Pricing Model. The fair value attributed to the warrants is recorded as contributed surplus. If the warrants are exercised, the value attributable to the warrants is transferred to share capital.

Loss per share

Loss per share is calculated using the weighted average number of shares outstanding during the period. Diluted loss per share is calculated using the treasury stock method whereby all in the money options and warrants are assumed to have been exercised at the beginning of the year and the proceeds from the exercise are assumed to have been used to purchase common shares at the average market price during the period. In periods of loss basic and diluted loss per share are the same, as the effect of the exercise of outstanding options and warrants is anti-dilutive.

Financial Instruments

Financial Assets

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

Available-For-Sale Financial Assets

Non-derivative financial assets that do not meet the definition of loans and receivables are classified as available-for-sale and comprise principally the Company's strategic investments in entities not qualifying as subsidiaries or associates. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive loss/income. Where there is a significant or prolonged decline in the fair value of an available-for-sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously recognized in other comprehensive loss/income, is recognized in profit or loss. If there is no quoted market price in an active market and fair value cannot be readily determined, available-for-sale investments are carried at cost. On sale or impairment, the cumulative amount recognized in other comprehensive loss/income is reclassified from accumulated other comprehensive loss/income to profit or loss.

Held-For-Trading Financial Assets

Financial assets held-for-trading are designated upon initial recognition as at fair value through profit or loss. Financial assets held-for-trading are classified as fair value through profit and loss if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets held-for-trading includes derivative financial instruments acquired or entered into that are not designated as hedging instruments in hedge relationships as defined by IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). Included in this class are investments in marketable securities of other public companies not qualifying as subsidiaries or associates. Related realized and unrealized gains and losses are included in profit or loss.

Impairment on Financial Assets

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.

Financial Liabilities

Financial liabilities are classified as either fair value through profit or loss or other financial liabilities, based on the purpose for which the liability was incurred, and are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument. Other financial liabilities comprise trade payables and accrued liabilities and are subsequently carried at amortized cost using the effective interest rate method. This ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. Interest expense in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding. Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards and Interpretations

At the date of the approval of the consolidated financial statements, a number of standards and interpretations were in issue but not yet effective. The Company considers that these new standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

4. DISPOSITION OF BRZ MEX HOLDINGS LTD. AND MINERA BRG SA de CV

The Company determined that the Commander Agreement represented a loss of control of its Mexican subsidiaries. In accordance with the guidance of IFRS 10, the Company derecognized the carrying value of the assets and liabilities of the Mexican subsidiaries on the effective date of the Commander Agreement and concurrently recognized the fair value of the consideration received from Commander. The gain on the disposition and de-recognition of the Mexican subsidiaries is summarized as follows:

		October 31, 2016
De-recognition of subsidiary assets and liabilities		
Mineral properties		
October Dome	$	(25,000)
Flume		(13,325)
Mt. Polley		(210,000)
Net working capital of Mexican subsidiaries		(4,183)
		(252,508)
Reclassification of foreign currency balances		3,267
		(249,241)
Consideration received:		
Commander shares recorded at fair value on inception *[note 5]*		720,000
Cash		15,000
Price adjustment receivable		2,370
Gain on disposition of Mexican subsidiaries	$	488,129

(Expressed in Canadian Dollars)

5. INVESTMENT IN MARKETABLE SECURITIES

	Number of shares		October 31, 2016		October 31, 2015
Commander Resources Ltd.					
Fair value at inception *[note 4]*	12,000,000	$	720,000	$	-
Unrealized loss			(120,000)		-
Fair value, end of the year			600,000		-
Patriot Minefinders Inc.					
Fair value, end of the year	1,200,000		1		1
		$	600,001	$	1

In connection with the Company's disposition of the Mexican subsidiaries on September 23, 2016, the Company received 12,000,000 shares of Commander. These shares are designated as securities held for trading measured at fair value.

During the year ended October 31, 2013, the Company received 1,200,000 shares of Patriot Minefinders by way of a finder's fee. There is no active market for these shares and therefore, the Company has recorded these shares at a nominal fair value of $1.

6. MINERAL PROPERTY INTERESTS

		October Dome		Mt Polley		Yukon		Total
Balance, October 31, 2014	$	555,057	$	13,325	$	25,004		593,386
Write-down of mineral property interest		(345,057)		-		-		(345,057)
Balance, October 31, 2015		210,000		13,325		25,004		248,329
Disposition of mineral property interests in connection with the Commander Agreement *[note 4]*		(210,000)		(13,325)		(25,000)		(248,325)
Balance, October 31, 2016	$	-	$	-	$	4	$	4

October Dome

The October Dome gold property is located northwest of Likely, British Columbia, Canada. A portion of the property is subject to a 2% Net Smelter Royalty ("NSR"), with each 0.5% purchasable for $500,000. A further portion is subject to a 1.5% NSR royalty. In April 2015, the Company wrote down its interest in October Dome by an amount of $345,057. During the year ended October 31, 2016, this property was included in the disposition of the Mexican subsidiaries.

(Expressed in Canadian Dollars)

6. MINERAL PROPERTY INTERESTS (CONTINUED)

Mt Polley

The Mt. Polley copper-gold properties are located adjacent to Imperial Metals Corporation's ("Imperial") Mt. Polley open-pit copper gold mine, northeast of Williams Lake, British Columbia, Canada. The Company has a 90% interest in a portion of the Lloyd claims and a 100% interest in the remaining Lloyd claims, subject to a 1.5% NSR royalty. The Company also has a 100% interest in the Nordik, Buc, and Calm claims subject to a 2% NSR royalty. The NSR royalty on each claim group with the exception of the Buc claims can be purchased for $500,000 for each one-half percent.

The Mt. Polley properties previously included an additional area adjacent to Imperial's Boundary Zone that was sold to Imperial over which the Company retained a royalty interest. The royalty is $2.50 per tonne for the first 400,000 tonnes of material milled and $1.25 per tonne for all tonnes milled in excess of 400,000 tonnes. The royalty in excess of 400,000 tonnes can be reduced to $0.62 per tonne for a payment of $1,000,000. The Company is entitled to 90% of the aforementioned royalties. During the year ended October 31, 2016, this property was included in the disposition of the Mexican subsidiaries.

Yukon

In the Yukon, the Company's portfolio includes the Flume (subject to a 2.5% NSR), HY (subject to a 2% NSR), Jay, VM, VBA and Big properties. It also has royalties on properties owned by Aben Resources Ltd. (a 2% NSR on the VF property) and Precipitate Gold Corporation (a 2% NSR on the Jay East Property). In July 2013, the Company wrote down acquisition costs on its Yukon properties (excluding Flume). During the year ended October 31, 2016, the Flume property was included in the disposition of the Mexican subsidiaries.

7. RELATED PARTY DISCLOSURE

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Remuneration attributed to key management personnel can be summarized as follows:

	Year ended October 31, 2016	2015
Consulting and labour	$ 52,392	$ 86,285
Share based compensation	220,277	-
	$ 272,669	$ 86,285

As at October 31, 2016, included in accounts payable and accrued liabilities is $2,730 (2015 - $nil) owing to related parties for accrued management, consulting fees, professional fees and expense reimbursements.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL

Common shares

On October 21, 2016, the Company completed a non-brokered private placement and issued in aggregate 12,000,000 units at a price of $0.13 per unit for gross proceeds of $1,560,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire an additional share of the Company for a period of one year from the date of issuance at an exercise price of $0.25 per share. In conjunction with the financing, the Company paid aggregate finder's fees of $87,541 and issued 147,000 broker's warrants having a fair value of $16,510 and having the same terms as the warrants issued as units pursuant to this private placement.

Common share purchase warrants

Common share purchase warrant transactions and the number of common share purchase warrants outstanding are summarized below:

	Number		Weighted Average Exercise Price
Balance, October 31, 2014 and 2015	-	$	-
Private placement of equity units	12,000,000		0.25
Brokers' warrants issued as finders' fees	147,000		0.25
Balance, October 31, 2016	12,147,000	$	0.25

	Number		Exercise Price
Date of Expiry			
October 21, 2017	12,147,000	$	0.25

The gross proceeds of $1,560,000 received from the private placement of 12,000,000 units completed on October 21, 2016 were allocated between the shares and warrants included in the units on a relative fair value basis; the balance of the proceeds were allocated as: common shares - $1,104,000; warrants - $456,000.

The fair value of the broker warrants of $16,510 issued in connection with the private placement were calculated using the Black-Scholes Option Pricing Model with the following assumptions: stock price $0.27, exercise price $0.25, term of 1 year, volatility of 102%, dividend yield of 0% and a risk free interest rate of 0.54.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL (CONTINUED)

Common share purchase options

The Company has a stock option plan (the "Plan") that permits the grant of share purchase options up to 10% of the issued and outstanding common shares of the Company to directors, officers, key employees and consultants. Terms and pricing of options are determined at the date of grant in accordance with the Plan.

Stock option transactions and the number of stock options outstanding are summarized below:

	Number	Weighted Average Exercise Price $
Balance, October 31, 2014	**325,000**	**0.36**
Forfeited	-	-
Expired	-	-
Granted	-	-
Balance, October 31, 2015	**325,000**	**0.36**
Forfeited	(25,000)	0.20
Expired	(125,000)	0.60
Granted	1,325,000	0.26
Balance, October 31, 2016	**1,500,000**	**0.25**

Date of Expiry	Exercise Price	Number of Options Outstanding	Number of Options Exercisable
August 1, 2019	$0.20	175,000	175,000
October 24, 2021	$0.26	1,325,000	1,325,000
Balance, October 31, 2016		**1,500,000**	**1,500,000**

As of October 31, 2016, the weighted average remaining life for outstanding options was 4.72 years.

During the year ended October 31, 2016, the Company recorded share-based payments of $275,346 (2015 - $nil) that were measured using the Black-Scholes Option Pricing Model with the following weighted-average assumptions:

	2016	2015
Share price	0.26	-
Exercise price	0.26	-
Expected life	5 years	-
Annualized volatility	114%	-
Expected dividend yield	0%	-
Risk-free interest rate	0.66%	-
Fair value per option	$0.21	-

(Expressed in Canadian Dollars)

9. CAPITAL DISCLOSURES

The Company's objectives when managing capital are to ensure its ability to continue as a going concern in order to pursue the acquisition and development of mineral property interest. 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 is largely dependent upon external financings to fund activities. In order to carry out planned acquisition and development and pay for administrative costs, the Company will spend its existing working 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 financing 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 to the Company's approach to capital management during the year ended October 31, 2016. The Company is not subject to externally imposed capital restrictions.

10. INCOME TAXES

		October 31, 2016		October 31, 2015
Net loss for the year	$	(95,563)	$	(510,279)
Statutory tax rate		26%		26%
Expected income tax recovery		(25,000)		(132,000)
Permanent differences		71,000		6,000
Disposition of Mexican subsidiaries		538,000		-
Mineral property interests		651,000		-
Share issue costs		23,000		-
Effect of true-up of prior year provision		(430,000)		-
Other		(44,000)		-
Change in unrecognized tax assets		(784,000)		126,000
	$	-	$	-

(Expressed in Canadian Dollars)

10. INCOME TAXES (CONTINUED)

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

		October 31, 2016		October 31, 2015
Share issuance costs	$	18,000	$	-
Mineral property interests		-		585,000
Marketable securities		16,000		-
Capital losses		138,000		-
Non-capital losses		732,000		1,104,000
Property and equipment		1,000		-
		905,000		1,689,000
Unrecognized deferred tax assets		(905,000)		(1,689,000)
	$	-	$	-

The Company has incurred non-capital losses of approximately $2,712,000 that may be carried forward and used to reduce taxable income. These losses will expire commencing in 2031.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

The fair value of the Company's financial instruments is approximated by their carrying value due to their short-term nature.

IFRS 13 establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liabilities, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
Level 3 – inputs for the asset or liability that are not based upon observable market data.

The fair value of cash and marketable securities are based on Level 1 inputs. There are no level 2 or 3 financial instruments.

Credit risk

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and accounts receivable. The Company deposits cash and cash equivalents with high credit quality financial institutions as determined by rating agencies. Accounts receivable are primarily from governments.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Company is reliant upon equity issuances as its sole source of cash. The Company manages liquidity risk by trying to maintain an adequate level of cash and cash equivalents to meet its ongoing obligations. The Company continuously reviews its actual expenditures and forecast cash flows and matches the maturity dates of its cash equivalents to capital and operating needs.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market risk

[i] Interest rate risk

The Company is exposed to interest rate risk on its cash and cash equivalents held at October 31, 2016. A 100 basis point (1%) increase or decrease in the interest rate in 2016 would have resulted in approximately a $3,257 change in the Company's reported loss for the year ended October 31, 2016 based on its closing balance during the fiscal year.

[ii] Currency risk

As at October 31, 2016, the Company incurs expenses in Canadian dollars, Mexican pesos and United States dollars. The Company therefore has exposure to United States dollars as the functional currencies of the Company and its Mexican subsidiaries are Canadian dollars and Mexican pesos respectively. Both of these exposures are immaterial.

[iii] Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities.

12. SUBSEQUENT EVENTS

[a] On November 15, 2016, the Company issued 50,000 common shares pursuant to the exercise of stock options at $0.20 per share for proceeds of $10,000.

[b] On December 12, 2016, the Company closed the first tranche of a non-brokered private placement and raised $1,096,000 by issuing 2,740,000 units. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to acquire an additional share of the Company for a period of one year from the date of issuance at an exercise price of $0.80 per warrant.

On December 16, 2016, the Company closed a second tranche of the private placement. An additional 125,000 units at a price of $0.40 per unit for total gross proceeds of $50,000 was raised.

In total the Company raised an aggregate 2,865,000 units under both tranches of the private placement for gross proceeds of $1,146,000. A total of 147,000 finder's warrants were issued. These finder's warrants had the same terms as the warrants issued as part of the units.

12. SUBSEQUENT EVENTS (CONTINUED)

[c] On January 3, 2017, the Company entered into a property purchase agreement with Golden Predator Mining Corp. ("Golden"), pursuant to which Golden has agreed to purchase all of the Company's interest in certain mineral claims in the Yukon Territory. As partial consideration for the purchase agreement, Golden will pay to the Company an aggregate fee of $275,000, payable over 48 months from the execution date of the purchase agreement. In addition, Golden will issue shares according to the following schedule:

(i) 35,000 common shares on date of execution (Issued January, 2017) ;
(ii) 50,000 common shares 8 months after date of execution; and
(iii) Common shares equal to $600,000 on the 20 month, 32 month and 48 month anniversary of the execution date.

Under the terms of the purchase agreement, Golden will also grant to the Company a 2% net smelter royalty ("NSR") on certain claims and a 1% NSR on the remaining claims. Golden has the right to re-purchase 50% of the NSR for $1,000,000 at any time.

[d] Pursuant to the initial non-binding LOI with Li3 Energy Inc. ("Li3") dated November 23, 2016, the Company agreed to repay the principal of $525,000 of convertible debt held by Li3 plus a 22% interest bonus. In addition, the Company agreed to pay the legal expenses of the convertible note holders' up to a maximum of USD$15,000 and pay USD$30,000 to cover the convertible debt holders' representative. Approximately USD$350,000 of the outstanding debt and interest will be settled with the issuance of units at a price of $0.40 each. Each unit will be comprised of one common share and one-half warrant. Each whole warrant will entitle the holder to acquire an additional common share for one year following the close of the proposed transaction.

On January 27, 2017, the Company entered into an agreement and plan of merger with Li3. Pursuant to the agreement, a newly-formed wholly owned subsidiary of the Company will merge with Li3, with Li3 surviving the merger as a wholly owned subsidiary of the Company. At the effective time of the merger, each common share of Li3 will be converted into the right to receive common shares of the Company for an aggregate of 16,000,000 shares. As a result Li3 shareholders will receive approximately 43% of the Company's issued common shares. Option and warrant holders of Li3 will also receive the right to receive options and warrants of the Company on a one to one basis.

[e] On February 7, 2017, the Company entered into an asset purchase agreement to acquire a 100% interest in 81 lode claims located in Esmeralda County, Nevada. To complete the purchase, the Company will pay US $60,000 in cash and issue 1,400,000 common shares of the Company.

[f] Subsequent to October 31, 2016, the Company issued 1,410,245 common shares pursuant to the exercise of 1,410,245 warrants for proceeds of $352,561.

[g] Subsequent to October 31, 2016, the Company granted:

- 125,000 stock options at an exercise price of $0.50 per option,
- 125,000 stock options at an exercise price of $0.55 per option,
- 225,000 stock options at an exercise price of $0.58 per option
- 50,000 stock options at an exercise price of $0.59 per option, and
- 125,000 stock options at an exercise price of $0.62 per option.

Each option entitles the holder to acquire one common share of the Company for a period of five years from the grant date.