Nippon Dragon Resources Inc.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

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January 19, 2017

Independent Auditor's Report

To the Shareholders of Nippon Dragon Resources Inc.

We have audited the accompanying consolidated financial statements of Nippon Dragon Resources Inc., which comprise the consolidated statement of financial position as at September 30, 2016, the consolidated statements of income (loss) and comprehensive income (loss), changes in equity and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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 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 in our audit 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 Nippon Dragon Resources Inc. as at September 30, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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Emphasis of matter
Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Nippon Dragon Resources Inc.'s ability to continue as a going concern.

Other matter
The consolidated financial statements of Nippon Dragon Resources Inc. as at September 30, 2015 and for the year then ended were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on February 29, 2016.

PricewaterhouseCoopers LLP[1]

1 CPA Auditor, CA, public accountancy permit No. A123642

Nippon Dragon Resources Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in Canadian dollars)

As at September 30

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 833,678	$ 83,918
Cash in escrow (Note 6)	216,000	-
Accounts receivable and other receivables (Note 7)	73,786	79,699
Sales tax receivable	52,092	20,542
Prepaid expenses	49,371	161,454
Tax credits receivable	-	17,763
Total current assets	1,224,927	363,376
NON-CURRENT ASSETS		
Property, plant and equipment (Note 8)	469,197	382,919
Exploration and evaluation assets (Note 9)	8,778,776	8,749,686
Total non-current assets	9,247,973	9,132,605
TOTAL ASSETS	$ 10,472,900	$ 9,495,981
LIABILITIES		
CURRENT		
Accounts payable (Note 10)	$ 2,329,206	$ 3,191,200
Loans	24,165	20,833
Prepaid gold sales (Note 11)	1,080,000	-
Indemnities payable to subscribers (Note 12)	720,080	2,527,698
Debts (Note 13)	1,471,807	1,500,000
Debentures (Note 14)	787,495	2,267,702
TOTAL CURRENT AND TOTAL LIABILITIES	6,412,753	9,507,433
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 15)	$ 45,807,286	$ 44,023,670
Shares to be issued (Note 23)	186,000	-
Contributed surplus	11,059,337	10,293,200
Warrants (Note 15)	1,021,960	540,112
Equity component of convertible debentures	-	703,087
Deficit	(54,014,436)	(55,571,521)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)	4,060,147	(11,452)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)	$ 10,472,900	$ 9,495,981

GOING CONCERN (Note 2)
COMMITMENTS AND CONTINGENCIES (Note 20)
SUBSEQUENT EVENTS (Note 23)

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

Nippon Dragon Resources Inc.

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(in Canadian dollars)

Years ended September 30

	2016	**2015**
INCOME		
Contract income from a joint operation	$ -	$ 88,531
Thermal fragmentation technology distribution income	145,377	96,509
Other income	-	16,115
TOTAL INCOME	145,377	201,155
CONTRACT COSTS		
Contract costs from a joint operation	-	52,134
Contract cost from thermal fragmentation technology distribution	274,853	11,523
Salaries and fringe benefits	11,844	23,165
Royalties	22,573	4,583
Depreciation of property, plant and equipment	12,820	7,021
TOTAL CONTRACT COSTS	322,090	98,426
GROSS PROFIT (LOSS)	(176,713)	102,729
GENERAL AND ADMINISTRATIVE EXPENSES (Note 16)	1,492,354	1,577,548
OTHER EXPENSES (INCOME) (Note 16)	(3,247,181)	(2,588,285)
TOTAL NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	$ 1,578,114	$ 1,113,466
NET INCOME (LOSS) PER SHARE		
Basic	$ 0.0144	$ 0.0127
Diluted	$ 0.0144	$ 0.0127
Weighted average number of shares outstanding	109,678,345	87,796,580

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

Nippon Dragon Resources Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in Canadian dollars)

Years ended September 30

	Number of shares	Share capital	Shares to be issued	Contributed surplus	Warrants	Equity component of convertible debentures	Deficit	Total equity
BALANCE AS AT OCTOBER 1, 2015	98,315,278	$ 44,023,670	$ -	$ 10,293,200	$ 540,112	$ 703,087	$ (55,571,521)	$ (11,452)
Shares issued in private placements (Note 15)	18,322,293	912,306	-	-	529,603	-	-	1,441,909
Shares issued to settle indemnities payable to subscribers (Note 12)	11,356,008	795,000	-	-	-	-	-	- 795,000
Common share purchase options exercised (Note 15)	500,000	74,100	-	(27,100)	-	-	- - -	- 47,000
Debentures expiry (Note 14)	-	-	-	703,087	-	(703,087)	-	-
Stock-based compensation	-	-	-	42,708	-	-	-	42,708
Shares to be issued in private placement (Note 23)	-	-	186,000	-	-	-	-	186,000
Warrants exercised (Note 15)	16,500	2,210	-	-	(313)	-	-	1,897
Warrants expired (Note 15)	-	-	-	47,442	(47,442)	-	-	-
Issuance expenses	-	-	-	-	-	-	(21,029)	(21,029)
Net income (loss) and comprehensive income (loss)	-	-	-	-	-	-	1,578,114	1,578,114
BALANCE AS AT SEPTEMBER 30, 2016	128,510,079	45,807,286	186,000	11,059,337	1,021,960	-	(54,014,436)	4,060,147

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

Nippon Dragon Resources Inc.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)
(in Canadian dollars)

Years ended September 30

	Number of shares	Share capital	Contributed surplus	Warrants	Equity component of convertible debentures	Deficit	Total equity
BALANCE AS AT OCTOBER 1, 2014	63,471,326	$ 41,717,173	$ 9,927,144	$ 141,858	$ 776,915	$ (56,625,375)	$ (4,062,285)
Shares issued in private placements	31,078,796	1,827,051	-	550,967	-	-	2,378,018
Shares and warrants issued to settle interests on debentures (note 10)	235,156	23,516	-	-	-	-	23,516
Convertible debentures repayment	-	-	73,828	-	(73,828)	-	-
Common share purchase options exercised	300,000	65,100	(29,100)	-	-	-	36,000
Stock-based compensation	-	-	236,445	-	-	-	236,445
Warrants exercised	3,230,000	390,830	-	(67,830)	-	-	323,000
Warrants expired	-	-	84,883	(84,883)	-	-	-
Issuance expenses	-	-	-	-	-	(59,612)	(59,612)
Net income (loss) and comprehensive income (loss)	-	-	-	-	-	1,113,466	1,113,466
BALANCE AS AT SEPTEMBER 30, 2015	98,315,278	$ 44,023,670	$ 10,293,200	$ 540,112	$ 703,087	$ (55,571,521)	$ (11,452)

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

Nippon Dragon Resources Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in Canadian dollars)

Years ended September 30, 2016

	2016	**2015**
OPERATING ACTIVITIES		
Net income (loss)	$ 1,578,114	$ 1,113,466
Adjustments:		
Stock-based compensation	42,708	236,445
Amortization of discount on issuance of debentures	19,793	66,018
Depreciation of property, plant and equipment	93,560	73,473
De-recognition of debenture and its related interests	(2,709,634)	-
Gain on settlement of indemnities payable to subscribers (Note 12)	(331,201)	-
Interest paid	253,817	-
Prepaid gold sales	1,080,000	-
Write-off and revision of estimate of indemnities payable to subscribers (Note 12)	(681,417)	(3,758,084)
Loss on write-off of the interest in a joint venture	-	711,003
Write-off of accounts payable	-	(70,932)
Write-off of a due to a shareholder	-	(73,785)
Other	8,368	2,037
	(645,892)	(1,700,359)
Changes in working capital items (Note 21)	213,050	(85,216)
Cash flows used in operating activities	(432,842)	(1,785,575)
INVESTING ACTIVITIES		
Tax credits collected	20,153	36,480
Property, plant and equipment additions	(179,838)	(172,799)
Additions to exploration and evaluation assets	(31,480)	(41,505)
Cash flows used in investing activities	(191,165)	(177,824)
FINANCING ACTIVITIES		
Repayment of indemnities payable to subscribers	-	(4,000)
Exercise of common share purchase options	47,000	36,000
Warrants exercised	1,897	-
Interests paid	(253,817)	-
Debt repayment	(28,193)	(9,969)
Debentures repayment	-	(150,003)
Shares issuance cost paid	(21,029)	(59,612)
Shares to be issued	186,000	-
Issuance of shares and warrants	1,441,909	2,180,018
Loans repayment	-	(1,465)
Cash flow from financing activities	1,373,767	1,990,969
NET CHANGE IN CASH AND CASH EQUIVALENTS	749,760	27,570
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	83,918	56,348
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 833,678	$ 83,918

Supplemental cash flow information (Note 21)

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

Nippon Dragon Resources Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in Canadian dollars)

September 30, 2016 and 2015

1. STATUTES OF INCORPORATION AND NATURE OF OPERATIONS

Nippon Dragon Resources Inc. (hereafter the "Company") specializes in the exploration of metal in mining sites located in Quebec. In addition, the Company's mission is to introduce thermal fragmentation technology in the mining industry to enable the commercialization of this technology.

The Company is incorporated under the *Quebec Business Corporations Act*. The address of the Company's registered office and its principal place of business is 500-7055, boulevard Taschereau, Brossard (Quebec) J4Z 1A7. The Company's shares are listed on the TSX Venture Exchange under the symbol "NIP".

The consolidated financial statements for the years ended September 30, 2016 and 2015 were approved and authorized for issue by the Board of Directors on January 19, 2017.

2. GOING CONCERN

The accompanying consolidated financial statements have been prepared using International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. Management is aware in making its assessment of material uncertainties related to events and conditions that lend a significant doubt upon the Company's ability to continue as a going concern and accordingly, the appropriateness of the use of IFRS applicable to a going concern, as described in the following paragraph. These consolidated financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary were the going concern assumption not appropriate. These adjustments could be material.

Given that the Company has not yet found a mineral property containing mineral deposits that are economically recoverable, the Company has not yet generated any income or cash flows from its mining properties. The Company generates revenues from its thermal fragmentation technology distribution, but these are not sufficient to ensure the sustainability of the Company. As at September 30, 2016, the Company has accumulated a deficit of $54,014,436 and has a working capital deficiency of $ 5,187,826.

Management considers that the cash balances are insufficient for the Company to continue operating. Any future funding shortfall may be met in a number of ways, including the issuance of new equity instruments, cost reductions and other measures such as the renegotiation of its debts and debentures or the disposal of mining properties. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future, that such sources of funding or initiatives will be available to the Company or that they will be available on terms acceptable to the Company. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these consolidated financial statements.

Nippon Dragon Resources Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in Canadian dollars)

September 30, 2016 and 2015

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND COMPLIANCE TO IFRS

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). The Company has consistently applied the same accounting policies throughout the periods presented in the consolidated financial statements.

3.2 Basis of evaluation

These consolidated financial statements have been prepared on the historical cost basis.

3.3 Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's and its subsidiary's functional currency.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been applied in the preparation of these consolidated financial statements are summarized below.

4.1 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been early adopted by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's consolidated financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's consolidated financial statements.

IAS 1, Presentation of Financial Statements ("IAS 1")
In December 2014, the IASB issued amendments to IAS 1, "*Presentation of Financial Statements*" to clarify materiality, order of notes to financial statements, disclosure of accounting policies as well as aggregation and disaggregation of items presented in the statements of financial position, statements of income and statements of comprehensive income. These amendments shall be applied to fiscal years beginning on or after January 1, 2016. Earlier application is permitted. Management estimates that there will be no significant impact on the Company' consolidated financial statements.

Nippon Dragon Resources Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in Canadian dollars)

September 30, 2016 and 2015

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.1 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (cont'd)

IFRS 9, Financial Instruments ("IFRS 9")
In November 2009 and October 2010, the IASB issued the first phase of IFRS 9, *Financial Instruments*. In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9. The final version of IFRS 9 was issued in July 2014 and includes a third measurement category for financial assets (fair value through other comprehensive income) and a single, forward-looking 'expected loss' impairment model.

IFRS 9 replaces the current multiple classification and measurement models for financial assets and financial liabilities with a single model that has three classification categories: amortized cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or financial liability. It also introduces limited changes relating to financial liabilities and aligns hedge accounting more closely with risk management. The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Management is currently reviewing the impact that this standard will have on its consolidated financial statements.

IFRS 15, Revenue from contracts concluded with customers ("IFRS 15")
The IASB has issued IFRS 15, *Revenue from Contracts with Customers*, which will replace IAS 11, *Construction Contracts,* and IAS 18, *Revenue*. The mandatory effective date of IFRS 15 is January 1, 2018 with early adoption permitted. IFRS 15 establishes a principle-based model to be applied to all contracts with customers in determining how and when revenue is recognized. IFRS 15 also requires entities to provide additional disclosures. The Company will evaluate the impact of adopting IFRS 15 in its consolidated financial statements in future periods.

4.2 Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiary: Rocmec Technologies Inc. The subsidiary is currently inactive.

4.3 Foreign currency translation

The transactions in foreign currency are translated into the functional currency of the Company at the exchange rate in effect at the date of the transactions. The profits and losses resulting from currency translation differences arising from the settlement of such transactions and from the revaluation of monetary items at the exchange rate in effect at the end of the period are recognized in net income.

Non-monetary items measured at historical cost are translated at the exchange rate in effect at the transaction date. Non-monetary items measured at fair value are translated at the exchange rate at the date when the fair value was determined.

Nippon Dragon Resources Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in Canadian dollars)

September 30, 2016 and 2015

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.4 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are recognized initially at fair value net of transaction costs. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Financial liabilities at amortized cost
Financial liabilities are initially measured at fair value net of transaction costs. The financial liabilities are then measured at amortized cost using the effective interest method, unless they are accompanied by an embedded derivative. In such cases, the Company designates the entire hybrid instrument as at fair value through profit or loss.

The financial liabilities are classified as current contract if the payment is redeemable within 12 months. If not, they are considered as non-current liabilities.

The Company has classified its financial instruments as follows:

Categories	Financial instruments
Loans and receivables	Cash Cash in escrow Accounts receivable and other receivables
Financial liabilities at amortized cost	Accounts payable Loans Indemnities payable to subscribers Debts Debentures

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.4 Financial instruments (cont'd)

Convertible debentures

The component parts of convertible debentures issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. The conversion option that will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's own equity instruments is classified as an equity instrument.

At the date of issuance, the liability component is recognized at fair value, which is estimated using the prevailing market interest rate for similar non-convertible instruments. Subsequently, the liability component is measured at amortized cost using the effective interest method until extinguished upon conversion or at maturity.

The value of the conversion option classified as equity is determined at the issuance date by deducting the fair value of the liability component from the amount of the compound instrument as a whole. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured. When and if the conversion option is exercised, the equity component of convertible debentures will be transferred to share capital. If the conversion option remains unexercised at the maturity date of the convertible debenture, the equity component of the convertible debentures will be transferred to contributed surplus. No gain or loss is recognized upon conversion or expiration of the conversion option. Transaction costs that relate to the issuance of convertible debentures are allocated to the liability and equity components in proportion to the initial carrying amounts. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible debentures using the effective interest method.

Impairment of financial assets

At each reporting date of the consolidated statement of financial position, the Company assesses whether there is objective evidence that a financial asset, except for those at fair value through profit or loss, is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition (a "loss event") and that loss event has an impact on the estimated cash flows of the financial assets that can be reliably estimated. If such evidence exists, the Company recognizes an impairment loss, as follows:

<u>Loans and receivables</u>

Impairment loss is the difference between the amortized cost of the loan or receivable and the present value of discounted future cash flows estimated at the original instrument's effective interest rate. The carrying amount of the financial asset is reduced by this amount either directly or through the use of a reserve account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the impairment loss decreases and it can be related objectively to an event occurring after the impairment devaluation.

Nippon Dragon Resources Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in Canadian dollars)

September 30, 2016 and 2015

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.5 Revenue recognition

The income of the Company includes the distribution of its thermal fragmentation mining technology, including the rental of the necessary equipment, the necessary training to operate the equipment, and the distribution and promotion of the patented method owned by the Company.

The revenue of the Company is recognized when the amount can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the entity, the stage of completion of the transaction at the end of the period for submission of financial information can be reliably measured and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. Thus, revenues are recognized based on contracted service agreements with partners, as and when the services are rendered.

4.6 Net income (loss) per share

The calculation of the net income (loss) per share is based on the weighted average number of shares outstanding for each year. The basic net income (loss) per share is calculated by dividing the income (loss) attributable to the equity owners of the Company by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is calculated by adjusting earnings attributable to common shares of the Company, and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares which include options, warrants and convertible debentures. Dilutive potential common shares shall be deemed to have been converted into common shares at the beginning of the period or, if later, the date of issuance of the potential common shares.

For the purpose of calculating diluted earnings per share, the Company assumes the exercise of all dilutive options, warrants and conversion of debentures of the Company. The assumed proceeds from these instruments shall be regarded as having been received from the issue of ordinary shares at the average market price of ordinary shares during the year. The convertible debenture is antidilutive whenever its interest (net of tax and other changes in income or expenses) per ordinary share obtainable on conversion exceeds basic earnings per share. At the end of the reporting year, the diluted earnings per share is equal to the basic earnings per share as a result of the anti-dilutive effect of the outstanding options, warrants and convertible debentures, their conversion would have the impact of an increase (a reduction) of net income (loss) per share.

Nippon Dragon Resources Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in Canadian dollars)

September 30, 2016 and 2015

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.7 Tax credits

The Company is entitled to refundable credits on duties for losses under the *Mining Tax Act*. Those refundable credits on duties for losses are applicable on exploration costs incurred in the Province of Quebec.

Furthermore, the Company is entitled to refundable tax credits for resources for mining companies on qualified exploration expenditures incurred. The credits have been applied against the exploration costs incurred as stated in IAS 20, *Government Assistance,* when there is reasonable assurance that the credits will be recovered and granted and that the Company will respect the related conditions.

4.8 Exploration and evaluation expenditures and exploration and evaluation assets

Exploration and evaluation expenditures are costs incurred in the course of the initial search for mineral deposits with economic potential. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in net income (loss) when they are incurred.

Once the legal rights to undertake exploration and evaluation activities has been obtained, the costs of acquiring mineral rights, expenses related to the exploration and evaluation of mining properties reduced by refundable tax credits and credits on duties related to these expenses are charged to the cost of exploration and evaluation assets to the extent where management considers it is probable that the costs will be recovered through future development or the sale of the property. Expenses related to exploration and evaluation include salaries related to geological studies and planning of surface exploration programs, topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expense is recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts; the difference is then immediately recognized in net income (loss).

When technical feasibility and commercial viability of extracting a mineral resource are proven, exploration and evaluation assets related to the mining property are transferred to property and equipment in "Mining assets under construction". Before reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in net income (loss). To date, neither the technical feasibility nor the commercial viability of the extraction of a mineral resource has been proven.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.9 Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and impairment losses.

Cost includes all costs incurred initially to acquire an item of property, plant and equipment, costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and costs incurred subsequently to add to or replace part of it. Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Day-to-day maintenance costs of property, plant and equipment are recognized in net income (loss) when incurred. Day-to-day maintenance costs primarily include labour and consumables, and may also include the cost of small parts.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation is recognized on a straight-line basis to write down the cost to its estimated residual value, with a constant charge over the useful life of the asset. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The periods applicable are as follows:

	Useful life
Equipment	5 and 7 years
Mill plant	10 years
Computer equipment	4 years
Automotive equipment	4 years
Telephone system	5 years

The Company owns an exclusive licence of a thermal fragmentation patented method. This licence is an intangible asset acquired separately which was entirely impaired in 2010.

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Depreciation ceases when an asset is classified as held for sale (or included in a group that is classified as held for sale) or when the asset is derecognized.
The depreciation cost for each period is recognized in net income, except for some property, plant and equipment related to exploration and evaluation activities from which the amortization is included in the exploration and evaluation asset carrying value when applied to specific exploration and evaluation projects.

The residual value, depreciation method and the useful life of each asset are reviewed at least at each financial year-end.

The carrying amount of an item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in net income (loss) when the item is derecognized.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.10 Impairment of non-financial assets

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that their carrying amount may not be recoverable, an asset or a cash-generating unit are reviewed for impairment. In addition, when technical feasibility and commercial viability of extracting a mineral resource are proven, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property, plant and equipment.

Impairment reviews for exploration and evaluation assets are carried out on a project by project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances applies:

– The right to explore the areas has expired or will expire in the near future with no expectation of renewal;

– No further exploration or evaluation expenditures in the area are planned or budgeted;

– No commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area; or

– Sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

An impairment loss is recognized in net income (loss) for the amount by which the asset or cash generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value-in-use.

The impairment loss reduces the asset or is allocated pro-rata on the basis of the carrying amount of each asset in the cash-generating unit. All the assets are assessed whether there is any indication that an impairment loss recognized in prior periods may no longer exist. An impairment charge is reversed if the asset or cash generating unit's recoverable amount exceeds its carrying amount.

4.11 Joint Arrangements

Joint venture
On February 17, 2015, the Company decided to withdraw from the joint venture with Chazel Capital for the development of the Rey Solomon mining project in Peru. Participation in the joint venture in the statement of financial position was removed, and all components connected to it were written-off.

Joint operations
Joint operations means a partnership in which the parties have joint control over the company and share rights to its assets and obligations. Joint control is considered to exist when all parties are required to reach unanimous consent over decisions about relevant joint operation business activities. This usually results from direct participation rather than creating a separate entity.

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4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.12 Provisions, contingent liabilities and contingent assets

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources by the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes, decommissioning, restoration and similar liabilities, or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted when the time value of money is significant.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets. Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in the consolidated financial statements since this may result in the recognition of income that may never be realized.

The Company's operations are regulated by governmental environmental protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. The Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible and are capitalized to the cost of exploration and evaluation assets as they incurred. When the technical feasibility and commercial viability of extracting a mineral resource has been proven, a restoration provision will be recognized in the cost of the mining property when there is a constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits is required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

4.13 Deferred income taxes

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recorded on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

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4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.13 Deferred income taxes (cont'd)

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply on their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not recorded on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are offset only when the Company has the right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax in profit or loss, except where they relate to items that are recognized in other comprehensive income (loss) or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income (loss) or equity, respectively.

The Company recognizes a deferred tax liability for the flow-through shares for the taxable temporary difference that arises from difference between the carrying amount of the eligible expenditures capitalized in the statement of financial position and its tax basis and a deferred tax charge at the time when the eligible expenses are incurred and the Company has renounced to the right to tax deductions.

4.14 Equity

Share capital represents the amount received on the issuance of shares. Shares issued for consideration other than cash are recorded at their fair value according to the quoted price on the day of the conclusion of the agreement.

Unit placements
Proceeds from unit placements are allocated between shares and warrants issued using their relative fair value determined using the Black-Scholes pricing model, in order to calculate the fair value of the warrants.

Equity component of convertible debentures
The equity component of convertible debentures includes the conversion rights of the debentures described in note 14 that were convertible prior to maturity.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.14 Equity (cont'd)

Issuance costs of shares
The issuance costs of shares, net of tax benefits, are included in the deficit in the period in which they occurred.

4.15 Equity-settled share-based payments

The Company operates an equity-settled share-based remuneration plan (share options plan) for its directors, officers and employees who are eligible and other stock-based payments offered to consultants.

The Company's plan does not feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payments are measured at their fair value. Where an employee or other providing similar services is rewarded using share-based payments, the fair value of the services rendered by the employee is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All equity-settled share-based payments (except brokers' options) are ultimately recorded as an expense in net income (loss) or capitalized as an exploration and evaluation asset with a corresponding credit to contributed surplus in equity. Options issued to brokers are accounted for as share issue expenses of equity instruments in the deficit, with a corresponding credit to contributed surplus in equity.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in a prior period if the number of share options ultimately exercised is different than the number estimated.

Upon exercise of share options, the proceeds received are recorded as share capital. The accumulated charges related to the share options and brokers' options recorded in contributed surplus are then transferred to share capital.

4.16 Segment reporting

The Company presents and discloses segmental information based on information that is regularly reviewed by the chief operating decision-maker.

The chief decision maker have the joint responsibility of allocating resources to the Company's operating segments and assessing their performance.

Management considers that the Company operates in a single sector, which is exploration and evaluation.

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5. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are presented below.

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgments. Further information regarding going concern is outlined in Note 2.

Exploration and evaluation assets

The Company's evaluation of the recoverable amount with respect to the non-financial assets is based on numerous assumptions and may differ significantly from actual values. The recoverable amounts are based, in part, on certain factors that may be partially or totally outside of the Company's control. This evaluation involves a comparison of the estimated recoverable amounts of non-financial assets to their carrying values. The Company's recoverable amount estimates are based on numerous assumptions. The recoverable amount estimates may differ from actual values and these differences may be significant and could have a material impact on the Company's financial position and result of operations.

Assets are reviewed for an indication of impairment at each consolidated statement of financial position date and when there are indicators of impairment. This determination requires significant judgment. Factors which could trigger an impairment review include, but are not limited to: the right to explore in the specific area will expire during the period or in the near future and is not expected to be renewed; substantive exploration and evaluation expenditures in a specific area are neither budgeted nor planned; exploration and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the assets is unlikely to be recovered in full from successful development or by sale; significant negative industry or economic trends; and a significant drop in ore prices.

Other provisions and contingent liabilities

Judgments are made as to whether a past event has led to a liability that should be recognized in the consolidated financial statements or disclosed as a contingent liability. Quantifying any such liability often involves judgments and estimations. These judgments are based on a number of factors including the nature of the claims or dispute, the legal process and potential amount payable, legal advice received, previous experience and the probability of a loss being realized. Several of these factors are sources of estimation uncertainty. Other provisions and contingent liabilities include indemnities payable to subscribers and taxes on section XII.6 and III.14 payable.

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5. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (cont'd)

Classification of joint arrangements

The Company concluded exclusive distribution agreements with several parties for the distribution and the use of its patented thermal fragmentation mining method. No legal entity has been created for the purposes of these agreements, and each company is entitled to a percentage of the revenues and expenses generated by the arrangements. For the arrangements where both companies only have an interest in income and expenses generated by the agreement and only have rights to the contributed assets, the Company has classified these arrangements as a joint operations.

6. CASH IN ESCROW

Cash in escrow is composed of cash collected by the Company with the prepaid gold sales. As at September 30, 2016, 20% of the prepaid gold sales proceeds were escrowed following the schedule of release set by both parties (subsequently released in November 2016).

7. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

	2016	2015
Clients	$ 69,920	$ -
Receivable from a partner in a joint operation	-	65,477
	69,920	65,477
Receivable from a non-related company	3,866	53,182
Provision	-	(38,960)
	3,866	14,222
	$ 73,786	$ 79,699

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8. PROPERTY, PLANT AND EQUIPMENT

Year ended September 30, 2016

	Equipment	Mill plant	Computer equipment	Automotive equipment	Telephone system	Total
COST						
Balance as at October 1, 2015	$ 815,365	$ 1,819,093	$ 25,575	$ 37,703	$ 4,201	$ 2,701,937
Additions	177,360	-	2,478	-	-	179,838
Disposal	-	-	(1,299)	-	-	(1,299)
Balance as at September 30, 2016	992,725	1,819,093	26,754	37,703	4,201	2,880,476
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Balance as at October 1, 2015	432,446	1,819,093	25,575	37,703	4,201	2,319,018
Depreciation	92,940	-	620	-	-	93,560
Disposal	-	-	(1,299)	-	-	(1,299)
Balance as at September 30, 2016	525,386	1,819,093	24,896	37,703	4,201	2,411,279
CARRYING AMOUNT AS AT SEPTEMBER 30, 2016	$ 467,339	$ -	$ 1,858	$ -	$ -	$ 469,197

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8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Year ended September 30, 2015

	Equipment	Mill plant	Computer equipment	Automotive equipment	Telephone system	Equipment under finance lease	Total
COST							
Balance as at October 1, 2014	$ 596,576	$ 1,819,093	$ 25,575	$ 37,703	$ 4,201	$ 45,990	$ 2,529,138
Additions	172,799	-	-	-	-	-	172,799
Transfer	45,990	-	-	-	-	(45,990)	-
Balance as at September 30, 2015	815,365	1,819,093	25,575	37,703	4,201	-	2,701,937
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
Balance as at October 1, 2014	322,198	1,819,093	25,575	37,703	4,201	36,775	2,245,545
Depreciation	64,258	-	-	-	-	9,215	73,473
Transfer	45,990	-	-	-	-	(45,990)	-
Balance as at September 30, 2015	432,446	1,819,093	25,575	37,703	4,201	-	2,319,018
CARRYING AMOUNT AS AT SEPTEMBER 30, 2015	$ 382,919	$ -	$ -	$ -	$ -	$ -	$ 382,919

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9. EXPLORATION AND EVALUATION ASSETS

	Balance as at October 1, 2015	Additions	Tax credits and duties refundable	Impairment	Balance as at September 30, 2016
Rocmec 1					
Mining rights	2,603,982	-	-	-	2,603,982
Exploration and evaluation	6,145,704	31,480	(2,390)	-	6,174,794
	$ 8,749,686	$ 31,480	$ (2,390)	$ -	$ 8,778,776

	Balance as at October 1, 2014	Additions	Tax credits and duties refundable	Impairment	Balance as at September 30, 2015
Rocmec 1					
Mining rights	2,603,982	-	-	-	2,603,982
Exploration and evaluation	6,115,820	41,505	(11,621)	-	6,145,704
	$ 8,719,802	$ 41,505	$ (11,621)	$ -	$ 8,749,686

Rocmec 1 project – Dasserat township, Quebec

100% interest in mining rights including 19 mining claims of which 11 mining claims are subject to a 5% Net Metal Royalty on the first 25,000 ounces of gold and 3% on additional ounces of gold.

10. ACCOUNTS PAYABLE

	2016	2015
Trade accounts payable*	$ 469,042	$ 358,615
Accrued interest payable	142,536	1,176,682
Taxes on Section XII.6 and III.14 payable	822,262	822,262
Salaries and fringe benefits payable	849,629	729,662
Other liabilities	45,737	103,979
	$ 2,329,206	$ 3,191,200

* Include an amount of $9,054 ($35,490 in 2015) payable to related parties.

During the fourth quarter of 2016, the Company de-recognized a debenture of $ 1,500,000 and its related accrued interests of $ 1,138,860 (Note 14).

Subsequent to September 30, 2016, the Company settled accrued interest totaling $42,829 by issuing 611,847 common shares at $0.07 per share.

During the year ended September 30, 2015, the Company settled accrued interest totaling $23,516 by issuing 235,156 common shares at $0.10 per share.

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11. PREPAID GOLD SALES

During the year, the Company entered into a gold production agreement with Au Consolidated Inc., a company from Arizona. The Company will conduct thermal fragmentation operations to extract 2,000 ounces of gold that will be shared based on an 80/20 ratio. The Company will be entitled to 80% of the gold ounces while Au Consolidated Inc. will be entitled to 20% of the ounces of gold produced. In connection with this agreement, the Company entered into prepaid gold sales totalling $1,080,000 for the delivery of approximately 1,200 units, each unit consisting of one (1) ounce of gold at a price of $900 per unit. The prepaid gold sales, in the form of metal sales forward contracts, allow the Company to deliver pre-determined volumes of gold on agreed future delivery dates in exchange for an upfront cash pre-payment.

The prepaid gold sales have a maximum term of 14 months. The Company agrees to periodically deliver gold ounces to buyers based on ore shipments to the smelter. The Company, at its sole discretion, will determine the frequency of ore shipments; however, the first shipment to the smelter shall be no later than 60 days following mobilization on the mining site. In the event of a default, the buyer may at his option, request a partial or total refund of the purchase, and the Company must refund the equivalent of the total principal amount then outstanding plus a penalty of three (3) months of interest at a rate of 10% per annum on the sum outstanding at such date. As at September 30, 2016, no gold delivery has been made.

As at September 30, 2016, the gold forward contracts were outstanding. These contracts are excluded from the scope of IAS 39 and accounted for as executory contracts because they were entered into and continue to be held for the purpose of delivery in accordance with the Company's expected production schedule.

12. INDEMNITIES PAYABLE TO SUBSCRIBERS

	Flow-through placements 2011	Flow-through placements 2010	Flow-through placements 2009	Total
Balance as at September 30, 2014	601,999	1,392,121	4,295,662	6,289,782
Decrease	-	-	(4,000)	(4,000)
Write-off	(340,040)	(1,212,694)	(2,205,350)	(3,758,084)
Balance as at September 30, 2015	$ 261,959	$ 179,427	$ 2,086,312	$ 2,527,698
Settlement in shares	-	-	(1,126,201)	(1,126,201)
Revision of estimate	(11,959)	72,449	(741,907)	(681,417)
Balance as at September 30, 2016	250,000	251,876	218,204	720,080

Following flow-through financing agreements entered into with subscribers between 2009 and 2011, the Company committed to incur Canadian Exploration Expenses ("CEE") before specific deadlines which the Company did not respect. Consequently, exploration expenses renounced to investors had not been incurred in CEE. Amended renunciation forms have been filed with tax authorities and will consequently mean that new notices of assessment could be sent to subscribers for taxation years 2009 to 2011. In this respect, the Company recorded between September 2010 and 2012 indemnities payable to subscribers and the related interest payable. In the year ended September 30, 2015, by virtue of the absence of valid indemnification provisions in the subscription agreements, it was determined by the Company that only the indemnities related to subscriptions containing a specific compensation clause would be retained in the books and as such, $3,758,084 of the provision was written off.

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12. INDEMNITIES PAYABLE TO SUBSCRIBERS (cont'd)

Regarding flow-through financing of 2009, a group of investors had filed a lawsuit with the Superior Court of Quebec for an amount of $1,126,201. On April 6, 2016, the Company and the plaintiffs proposed to settle the proceedings instituted by the plaintiffs, without any admission of liability whatsoever, for an aggregate settlement amount of $795,000 payable by issuing common shares of the share capital of the Company at a price of $0.07 per share. On May 27, 2016, the shares were issued and therefore the case is now considered closed resulting in a gain on settlement on indemnities payable to subscribers of $ 331,201 in the year ended September 30, 2016.

In light of the above-mentioned settlement, the Company reviewed its provisions for indemnities payables for the remaining subscribers which have not contacted the Company for damages or filed lawsuits whatsoever and adjusted the provision in the fourth quarter of 2016 based on management's best estimate, including all available information and recent developments resulting in a reversal of provision of $ 681,417.

The amounts of indemnities payable to subscribers represent management's best estimate of the potential liability in this regard and the actual amounts may differ from management's current estimate. The amounts of indemnities payable to subscribers were calculated according to the tax laws and tax rates enacted for the concerned subscribers and the prescribed interest rates. The Company has always voluntarily fulfilled its responsibilities in accordance with the relevant authorities in the flow-through financings and in relation with all the uncommitted balances in exploration work.

13. DEBTS

	2016	2015
Loan of nominal value of $1,134,906, secured by a first rank mortgage on Rocmec 1 property for an amount of $1,134,906, repayable at maturity at 7.5% interest, payable monthly, either in cash or in common shares at the Company's option, which originally matured in May 2015 but has yet to be repaid.	$ 1,134,906	$ 1,134,906
Loan of nominal value of $365,094, secured by a first rank mortgage on Rocmec 1 property for an amount of $365,094, repayable at maturity at 13.5% interest, payable monthly in cash, which originally matured in May 2015 but has yet to be repaid.	336,901	365,094
Current debts	$ 1,471,807	$ 1,500,000

The outstanding and repayable balance as at September 30, 2016 is $1,471,807 since the debts expired in May 2015 and have yet to be repaid.

On June 8, 2016, the Company and the lender agreed that 10% of the Company' proceeds from all of its operations, as well as private placements, will be used to pay the accrued interest and principal of the debts.

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14. DEBENTURES

	2016	2015
Debenture with a nominal value of $249,995 as at September 30, 2016 ($249,995 in 2015), bearing interest at 13.5% payable monthly, repayable from January 1, 2014 through thirty monthly payments of $16,667, expired in June 2016 but was not repaid. This debenture is now convertible into common shares at the holder's option at conversion prices of $0.26 and $0.29. On November 23, 2016, the Company reached an agreement with the lender to settle the principal amount of the debenture in the following manner: a cash payment of $125,000 and the balance of $124,995 will be repaid in common shares of the Company at a price of $ 0.07 per share. The settlement is conditional on certain items set out in note 23.	$ 249,995	$ 230,202
Debenture of $1,500,000 secured by equipment and the thermal fragmentation exclusive licence, bearing interest at 9% payable quarterly, expired in May 2012 but was not repaid. The debenture was convertible before maturity into equity instruments of the Company at the option of the holder. During the fourth quarter of 2016, the Company de-recognized the $1.5 million debenture and its related accrued interest. Despite multiple attempts by management to establish contact with the debenture holder since the expiry in 2012, the debenture holder has not been in contact with the Company at any time after the expiry of the debenture. The de-recognition was justified by a legal opinion from the Company's counsel confirming that based on local laws and regulations, given the time elapsed since the expiry and the absence of contact, the debenture could be de-recognized along with accrued interest. The transaction resulted in a gain on de-recognition of the debenture and related interests of $ 2,638,860.	-	1,500,000
Debentures of $537,500 redeemable by the Company at any time in cash or in units (each unit is comprised of one (1) common share of the Company and one (1) half warrant; each whole warrant entitles the holder to purchase one (1) common share of the Company at a price equal to the reference price plus 50%), bearing annual interest at 7.5%, payable quarterly in cash or common shares, at the Company's option. These debentures expired on December 31, 2014 and were not repaid.	537,500	537,500
Current debentures	$ 787,495	$ 2,267,702

The outstanding and repayable balance as at September 30, 2016 of the debentures is $ 787,495 since the debentures have all expired and have yet to be repaid.

15. EQUITY

Share capital
The share capital of the Company consists only of fully paid common shares.

Authorized
Unlimited number of common shares without par value, voting, participating, dividend as declared by the Board of Directors. Shares are entitled, each in the same way, to payment of dividends and to capital reimbursement and give the right to one vote at the shareholders' meeting.

Issued
The variations in share capital of the Company are detailed as follows:

Year ended September 30, 2016
Between October 28, 2015 and June 3, 2016, 516,500 shares were issued following the exercise of common share purchase options and warrants at prices between $0.085 and $0.115 per share. The stock price at the time of the exercise was between $0.08 and $0.115 per share.

On November 25, 2015, the Company completed a private placement for $267,600 by issuing 3,345,000 units at a price of $0.08 per unit, each unit comprised of one (1) common share and one (1) common share purchase warrant of the Company. Each common share purchase warrant entitles its holder to purchase one (1) additional common share of the Company at a price of $0.12 per common share for a period of 24 months following the date of issuance. An amount of $103,412 was allocated to the warrants issued.

In February and March 2016, the Company completed a non-brokered private placement for $240,850 by issuing 2,676,111 units at a price of $0.09 per unit, each unit consisting of one (1) common share in the share capital of the Company and one (1) warrant. Each warrant entitles its holder to purchase one (1) additional common share of the capital of Company at a price of $0.135 per common share for a period of 24 months following the closing of the private placement. An amount of $89,638 was allocated to the warrants issued.

On May 19, 2016, the Company completed a non-brokered private placement for $78,992 by issuing 987,400 units at a price of $0.08 per unit. Each unit consists of one (1) common share in the share capital of the Company and one (1) warrant. Each warrant entitles the holder thereof to purchase one (1) additional common share in the share capital of the Company at a price of $0.12 per common share for a period of 24 months following the closing of the private placement. An amount of $27,082 was allocated to the warrants issued.

On May 27, 2016, the Company issued 11,356,008 common shares as part of the lawsuit settlement in connection with certain indemnities that were payable to certain subscribers (Note 12) for an aggregate settlement amount of $795,000 by issuing common shares of the share capital of the Company at a price of $0.07 per share.

On June 29, 2016, the Company completed a non-brokered private placement for $354,465 by issuing 5,063,782 units at a price of $0.07 per unit. Each unit consists of one (1) common share in the share capital of the Company and one (1) warrant. Each warrant entitles the holder thereof to purchase one (1) additional common share in the share capital of the Company at a price of $0.12 per common share for a period of 24 months following the closing of the private placement. An amount of $127,776 was allocated to the warrants issued.

On August 3, 2016, the Company completed a non-brokered private placement for $500,000 by issuing 6,250,000 units at a price of $0.08 per unit. Each unit consists of one (1) common share in the share capital of the Company and one (1) warrant. Each warrant entitles the holder thereof to purchase one (1) additional common share in the share capital of the Company at a price of $0.12 per common share for a period of 24 months following the closing of the private placement. An amount of $181,695 was allocated to the warrants issued.

Issuance costs of $21,029 were incurred for private placements closed in the year ended September 30, 2016.

15. EQUITY (cont'd)

Year ended September 30, 2015

On October 3, 2014, the Company completed a non-brokered private placement for $49,814 by issuing 664,190 units at a price of $0.075 per unit, each unit consisting of one (1) common share of the Company and one (1) warrant. Each warrant entitles the holder to acquire one (1) additional common share of the Company at a price of $0.115 per common share for a period of 24 months following the issue date of the voucher. An amount of $14,498 was allocated to the warrants issued.

Between October and December 2014, the Company completed a non-brokered private placement for $1,574,469 by issuing 20,992,920 units at a price of $0.075 per unit, each unit consisting of one (1) common share of the Company and one (1) warrant. Each warrant entitles the holder to acquire one (1) additional common share of the Company at a price of $0.115 per common share for a period of 24 months following the issue date of the voucher. An amount of $416,813 was allocated to the warrants issued.

On January 8, 2015, the Company paid accrued interest totaling $23,516 through the issuance of 235,156 common shares at $0.10 per share.

On February 11, 2015, 300,000 shares were issued following the exercise of stock options at an exercise price of $0.12 per common share.

On May 4, 2015, the Company completed a non-brokered private placement for $551,235 by issuing 6,890,436 units at a price of $0.08 per unit, each unit consisting of one (1) share ordinary of the Company and one (1) warrant. Each warrant entitles the holder to acquire one (1) additional common share of the Company at a price of $0.12 per common share for a period of 24 months following closing of the private placement. An amount of $101,247 was allocated to the warrants issued.

On May 19, 2015, the Company settled an amount due to a shareholder without interest or repayment terms by the issuance of 3,230,000 common shares at an exercise price of $0.10 per common share in exchange for $323,000 of due to a shareholder. The balance of the due was written off in income as a gain on the write-off of a due to a shareholder of $73,785.

On July 15, 2015, the Company completed a non-brokered private placement for $202,500 by issuing 2,531,250 units at a price of $0.08, each unit consisting of one (1) common share the Company and one (1) warrant. Each warrant entitles the holder to acquire one (1) additional common share of the Company at a price of $0.12 per common share for a period of 24 months following the issue date of the voucher. An amount of $18,409 was allocated to the warrants issued.

Issuance costs of $59,612 were incurred for private placements closed in the year ended September 30, 2015.

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15. EQUITY (cont'd)

Common share purchase options

The Company adopted a stock option plan (the "Plan") wherein the Board of Directors may from time to time grant options to its directors, administrators, employees and consultants to acquire common shares. The conditions and the exercise price of each option are determined by the Board of Directors.

The Plan states that the maximum number of common shares in the capital of the Company which may be reserved for issuance under the Plan is 10,748,106 common shares of the Company and the maximum number of common shares reserved for the granting of options to a single owner may not exceed 5% of the common shares outstanding at the date of the grant. Common shares reserved for consultants or eligible person responsible of investors' relations may not exceed 2% of the common shares outstanding at the date of the grant. Options must be exercised no later than five years after the grant date. The granted options are subject to a gradual vesting period of a sixth per quarter except for those granted to consultants providing services for investors' relations which have a vesting period of twelve months for a maximum of a fourth per quarter.

The exercise price of each option is determined by the Board of Directors and cannot be lower than the market value of the common shares on the grant date.

A summary of changes in the Company's share purchase options is as follows:

	2016			2015		
	Number of options		Weighted average exercise price	Number of options		Weighted average exercise price
Balance, beginning of year	10,030,000	$	0.134	6,900,000	$	0.163
Granted	-		-	3,475,000		0.099
Exercised	(500,000)		(0.094)	(300,000)		(0.120)
Expired	(2,765,000)		(0.166)	(45,000)		(1.900)
Balance, end of year	6,765,000		0.124	10,030,000	$	0.134
Options exercisable at the end	6,765,000		0.124	8,430,000	$	0.144

During the year, the Company did not grant any share purchase options for common shares to directors, administrators, employees and consultants.

During the prior year, the Company granted a total of 3,475,000 options to purchase common shares to directors, administrators, employees and consultants.

(in Canadian dollars)

15. EQUITY (cont'd)

Common share purchase options (cont'd)

Granted and exercisable options as at September 30, 2016:

Granted options	Exercisable options		Exercise price	Expiration date
2,435,000	2,435,000	$	0.14	June 2017
100,000	100,000	$	0.10	April 2018
2,155,000	2,155,000	$	0.12	December 2018
2,075,000	2,075,000	$	0.10	January 2020
6,765,000	6,765,000			

Accounting for compensation plans

The average fair value of share purchase options was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2015
Average share price at grant date	$0.10
Risk-free interest rate	0.73%
Expected volatility	110.84%
Expected life (in years)	4.85
Expected dividend	0.00%
Average exercise price at grant date	$0.10
Fair value of options granted at market value	$0.119

Stock-based compensation cost recognized in earnings amounts to $42,708 ($236,445 in 2015).

Warrants

Outstanding purchase warrants, entitling their holders to subscribe to an equivalent number of common shares, were as follows:

	2016				
	Number of warrants		Weighted average exercise price		Fair value allocated
Balance at beginning of year	32,992,239	$	0.119	$	540,112
Granted	18,322,293		0.122		529,603
Exercised	(16,500)		(0.115)		(313)
Expired	(1,913,443)		(0.156)		(47,442)
Balance as at September 30, 2016	49,384,589		0.119		1,021,960

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15. EQUITY (cont'd)

	2015		
	Number of warrants	Weighted average exercise price	Fair value allocated
Balance at beginning of year	8,451,903	$ 0.122	$ 141,858
Granted	31,078,796	0.117	550,967
Exercised	(3,230,000)	(0.100)	(67,830)
Expired	(3,308,460)	(0.124)	(84,883)
Balance as at September 30, 2015	32,992,239	0.119	540,112

Warrants outstanding as at September 30, 2016 are as follows:

Number of warrants	Exercise price	Expiration date
21,640,610	$ 0.115	Oct. – Dec. 2016
12,766,686	$ 0.120	May – Nov. 2017
2,676,111	$ 0.135	Feb. - March 2017
12,301,182	0.120	May – Aug. 2017
49,384,589		

The average fair value of warrants was estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2016	2015
Average share price at grant date	$0.10	$0.08
Risk-free interest rate	0.54%	0.87%
Expected volatility	126.18%	75.47%
Expected life (in years)	2.00	2.00
Expected dividend	0.00%	0.00%
Average exercise price at grant date	$0.12	$0.12

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16. NATURE OF LOSS (INCOME) AND COMPREHENSIVE LOSS (INCOME)

GENERAL AND ADMINISTRATIVE EXPENSES	2016	2015
Salaries and fringe benefits	$ 494,853	$ 779,348
Insurance	34,360	36,691
Trustee fees and registration	84,243	66,546
Professional fees	421,814	279,022
Maintenance and repairs	5,229	52,905
Stationary and office expenses	57,417	75,975
Travelling and promotion	313,698	291,541
Depreciation of property, plant and equipment	80,740	66,452
Gain on payable write-off	-	(70,932)
	$ 1,492,354	$ 1,577,548

OTHER EXPENSES (INCOME)	2016	2015
Interests on debentures and debts	$ 454,825	$ 518,497
Financing charges and other interests	20,247	14,084
Write-off of a due to a shareholder	-	(73,785)
Loss on write-off of the interest in a joint venture	-	711,003
De-recognition of a debenture and its related accrued interests (Note 14)	(2,709,635)	-
Gain on settlement of indemnities payable to subscribers (Note 12)	(331,201)	-
Revision of estimate of indemnities payable to subscribers (Note 12)	(681,417)	(3,758,084)
	$ (3,247,181)	$ (2,588,285)

17. CAPITAL MANAGEMENT

In terms of capital management, the objectives of the Company are to preserve its ability to continue its mining exploration and development of its thermal fragmentation mining method as well as its exploration program. If necessary, the Company raises funds by private placement of common shares, loans and debentures in order to sustain its development activities. The Company does not intend to pay dividends in the foreseeable future.

The Company includes loans, prepaid sales, debts, debentures, share capital, shares to be issued, contributed surplus and warrants in the definition of capital for a total amount of $61,438,050 as at September 30, 2016.

The main property in which the Company has an interest is in the exploration stage and the use of the thermal fragmentation mining method by other mining companies is also in the development stage; as such, the Company is dependent on external 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 significant changes in the Company's approach to capital management during the year ended September 30, 2016.

18. FINANCIAL INSTRUMENTS

The Company is exposed to various financial risks that result from both its operations and its investment activities. Financial risk management is carried out by the Company's management.

Credit risk
Credit risk is the risk associated with non-payment of financial obligations by the customers of the Company. The credit risks that face the Company are principally attributable to collection of its accounts receivable. The amount presented in the consolidated statement of financial position as accounts receivable and other receivables is net of an allowance for doubtful accounts of nil ($38,960 in 2015). The cash balances are held by a Canadian chartered bank about which management believes the risk of loss is considered minimal, but it is subject to credit risk concentration. The maximum credit risk is equivalent to the book value.

Liquidity risk
Liquidity risk is the risk that the Company experiences difficulty honouring commitments related to financial liabilities. The Company manages its liquidity risk by using budgets that enable it to determine the amounts required to fund its operations and administrative expenses. The Company also aims to ensure that it has sufficient working capital available to meet its day-to-day commitments. As at September 30, 2016 the Company had cash of $833,678 ($83,918 as at September 30, 2015) to settle current liabilities of $ 6,412,753 ($9,507,433 as at September 30, 2015). Management estimates that such funds will not be sufficient for the Company to continue as a going concern (Note 2). Any funding shortfall may be met in the future in a number of ways including but not limited to, the issuance of new equity instruments, further expenditure reductions or other measures. While management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company. If management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than amounts reflected in these consolidated financial statements.

As at September 30, 2016 and 2015, all of the Company' liabilities including debts and debentures had maturities of less than one year.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuates because of variations in market interest rates. The loans, debts and debentures issued by the Company bear fixed-rate interest and expose the Company to the risk of fair value variation resulting from interest rate fluctuations.

A 1% change in the interest rate would have an impact of approximately $23,000 on the Company's cash flow on an annual basis.

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18. FINANCIAL INSTRUMENTS (cont'd)

Fair value

The carrying value and fair value of financial instruments presented in the consolidated statement of financial position are as follows:

	2016		2015	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets (loans and receivables)				
Cash	$ 833,678	$ 833,678	$ 83,918	$ 83,918
Cash in escrow	216,000	216,000	-	-
Accounts receivable and other receivables	73,786	73,786	79,699	79,699
	$ 1,123,464	$ 1,123,464	$ 163,617	$ 163,617
Financial liabilities				
Financial liabilities at amortized cost				
Accounts payable	$ 2,329,206	$ 2,329,206	$ 2,461,538	$ 2,461,538
Loans	24,165	24,165	20,833	20,833
Indemnities payable to subscribers	720,080	720,080	2,527,698	2,527,698
Debts	1,471,807	1,471,807	-	-
Debentures	787,495	787,495	1,730,202	1,730,202
	5,332,753	5,332,753	6,740,271	6,740,271

In determining fair value, the Company uses observable data based on different levels which are defined as follows:

- First level includes quoted prices (unadjusted) in an active market of identical assets or liabilities;
- Second level includes data that are not based on observable inputs other than quoted prices included in the first level; and
- Third level includes data that are not based on observable market data.

The carrying value of cash, cash in escrow, accounts receivable and other receivables, accounts payable, loans and indemnities payable to subscribers are considered to be a reasonable approximation of fair value because of the short-term maturity of these instruments. (Level 1)

The carrying value of debts and debentures is considered to be a reasonable approximation of fair value as they are all past their maturity date. (Level 2)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. A portion of the Company's financial assets and liabilities is denominated in South African rand and Unites States dollars. Consequently, certain financial assets and liabilities are exposed to currency fluctuations. Most of the Company's operations are conducted in Canadian dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The financial assets and liabilities denominated in South African rand, translated into Canadian dollars at the closing rate, which expose the Company to currency risk are:

	2016	2015
Accounts receivable and other receivables	$ 58,763	$ 65,477
Accounts payable	218,418	-
Net exposure	$ 159,655	$ 65,477

A 10% change in the exchange rate would not have a significant impact.

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19. RELATED PARTIES

The related parties include key management personnel, key management personnel's companies and the joint operations.

During the previous year, two of the principal directors subscribed for a total of 950,000 units of the Company at a price of $0.08 for total gross proceeds of $76,000 under the first tranche of the private placement conducted April 15, 2015.

Key management personnel includes the directors and officers of the Company.

The key management compensation includes:

	2016	2015
Salaries and fringe benefits	$ 188,887	$ 480,048
Capitalized to exploration and evaluation assets	(16,480)	(30,900)
	172,407	449,148
Stock-based compensation	19,069	182,033
Professional fees	81,750	72,000
Total	$ 273,226	$ 703,181

As at September 30, 2016, accounts payable include an amount of $305,948 ($508,846 in 2015) owed to related parties.

20. COMMITMENTS AND CONTINGENCIES

i) The Company's operations are regulated by governmental laws and regulations regarding environmental protection. The environmental consequences are hardly identifiable. At the present time and to the best knowledge of its management, the Company is in compliance with the laws and regulations. As at September 30, 2016, a provision of $2,060 ($2,060 in 2015) for restoration of the premises at the Rocmec 1 property is included in accounts payable.

ii) As part of its flow-through share financing carried out during the years 2009, 2010 and 2011, the Company committed itself to incur admissible Canadian exploration expenses. The Company did not incur all the admissible Canadian exploration expenses relatively to its flow-through share financing (see Note 12). Only provisions for the indemnities related to subscriptions containing a specific compensation clause were maintained as at September 30, 2016 and 2015. The Company could be subject to claims from the other subscribers. Management is not able to determine the amount because they are unable to determine the number of subscribers who have been subject to tax assessments relatively to these flow-through share financing agreements.

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21. SUPPLEMENTAL CASH FLOW INFORMATION

	2016	2015
Supplemental cash flow information:		
Net changes in working capital items:		
Cash in escrow	$ (216,000)	$ -
Accounts receivable and other receivables	(8,624)	(63,539)
Sales tax receivable	(31,550)	(2,220)
Prepaid expenses	112,083	36,546
Security deposits	-	948
Accounts payable	357,141	28,672
Subscription received in advance	-	(85,623)
	$ 213,050	$ (85,216)

	2016	2015
Non-cash investing and financing activities:		
Reduction of the deposit	$ -	$ 90,000
Increase in tax credits receivable	-	11,621
Share issuance in settlement of accrued interest on debentures	-	23,516
Share issuance in settlement of indemnities payable to subscribers	795,000	-
Share issuance in return of prepaid expenses	-	198,000
Stock options exercised	27,100	29,100
Warrants exercised	313	323,000
Equity component of convertible debentures	703,087	73,828
Warrants expired	47,442	84,883

22. INCOME TAXES

The reconciliation of the income tax provision, calculated using the combined federal and province of Quebec statutory tax rate with the provision of income taxes per the consolidated financial statements is as follows:

	2016	2015
Net income (loss) before income taxes	$ 1,578,114	$ 1,113,466
Income taxes at the statutory income tax rates 26.9% (26.9% in 2015)	424,513	299,522
Adjustment for the following items:		
Unrecognized variation of temporary differences	(140,289)	(346,044)
Stock-based compensation	11,488	63,604
Non-deductible expenses and others	54,061	(189,041)
Non-deductible loss	(349,773)	171,959
	(424,513)	(299,522)
	$ Nil	$ Nil

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22. INCOME TAXES (cont'd)

	2016	2015
Components of deferred tax expense in the consolidated statement of (loss) income and comprehensive (loss) income		
Origination and reversal of temporary differences	$ 140,289	$ 346,044
Unrecognized variation of temporary difference	(140,289)	(346,044)
	$ Nil	$ Nil

	Balance at September 30, 2015	Recognized in profit or loss	Balance at September 30, 2016
Deferred income tax variations in 2016			
Exploration and evaluation assets	$ (448,134)	$ -	$ (448,134)
Non-capital loss	520,710	-	520,710
Convertible debentures	(72,576)	-	(72,576)
	$ Nil	$ Nil	$ Nil

As at September 30, 2016 available temporary differences for which no deferred tax assets were recorded are as follows:

	Federal	Provincial
Property, plant and equipment	$ 1,010,874	$ 1,008,252
Share issuance expenses	89,122	89,122
Non-capital losses	24,017,972	23,355,901
Intangible assets	755,219	(2,241)
Capital losses	3,420	3,420
Deferred income taxes	$ 25,876,607	$ 23,357,080

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22. INCOME TAXES (cont'd)

As at September 2016, the Company has non-capital losses for which no deferred tax asset was recorded and that can be carried over the following years:

	Federal	Provincial
2026	$ -	$ -
2027	2,483,176	2,322,975
2028	2,371,329	2,366,634
2029	2,850,650	2,838,206
2030	3,538,018	3,511,711
2031	2,787,717	2,786,161
2032	2,862,569	2,788,668
2033	2,676,343	2,672,322
2034	2,902,136	2,899,843
2035	2,472,382	2,470,776
2036	-	-
	$ 24,944,320	$ 24,657,296

	Balance at September 30, 2014	Recognized in profit or loss	Balance at September 30, 2015
Deferred income tax variations in 2015			
Exploration and evaluation assets	$ (322,899)	$ (125,235)	$ (448,134)
Non-capital loss	372,883	147,827	520,710
Convertible debentures	(49,984)	(22 592)	(72,576)
	$ Nil	$ Nil	$ Nil

As at September 30, 2015 available temporary differences for which no deferred tax asset were recorded are as follows:

	Federal	Provincial
Property, plant and equipment	$ 1,383,287	$ 1,379,542
Share issuance expenses	160,350	160,350
Non-capital losses	26,244,591	25,958,691
Intangible assets	812,063	812,063
Capital losses	3,420	3,420
Deferred income taxes	$ 28,603,711	$ 28,314,066

In 2016, the Company has tax credits for investments of $145,762 ($145,762 in 2015) that are not accounted for. These credits will expire by 2027 and can be used to reduce federal income tax.

23. SUBSEQUENT EVENTS

On October 4, 2016, the Company completed a non-brokered private placement of 3,476,250 units of the Company at a price of $0.08 per unit, for aggregate gross proceeds of $278,100. Each unit consists of one (1) common share in the share capital of the Company and one (1) warrant. Each warrant entitles the holder thereof to purchase one (1) additional common share in the share capital of the Company at a price of $0.12 per common share for a period of 24 months following the closing of the private placement. As at September 30, 2016, the Company had already received $186,000 in regards to this private placement.

On October 26, 2016, the Company mobilized its 75 t/d flotation plant on Au Consolidated Inc.'s ("AU") property. With the addition of the Company's treatment plant, the original agreement between the parties was modified to add an additional 1,000 ounces to 2000 ounces previously planned. The additional 1,000 ounces of gold recovered will be shared based on a ratio of 60/40. The Company will be entitled to 60% of the gold ounces and AU will be entitled to 40% of the gold ounces produced.

On November 22, 2016, the Company completed a non-brokered private placement of 3,333,334 units of the Company at a price of $0.075 per unit, for aggregate gross proceeds of $250,000. Each unit consists of one (1) common share in the share capital of the Company and one (1) warrant. Each warrant entitles the holder thereof to purchase one (1) additional common share in the share capital of the Company at a price of $0.12 per common share for a period of 24 months following the closing of the private placement.

On December 14, 2016, the Company has reached a settlement with Desjardins-Innovatech for the repayment of an outstanding debenture totalling $249,995 plus accrued interest of $42,829 as at November 30, 2016. The settlement includes a cash payment of $125,000 and the remaining balance of $124,995 plus accrued interest of $42,829 through the issuance of 2,397,490 common shares of the Company at a price of $0.07 per share. The financing fees due were paid in cash at closing.

On December 23, 2016, the Company completed a non-brokered private placement of 4,572,400 units of the Company at a price of $0.075 per unit, for aggregate gross proceeds of $342,930. Each unit consists of one (1) common share in the share capital of the Company and one (1) warrant. Each warrant entitles the holder thereof to purchase one (1) additional common share in the share capital of the Company at a price of $0.12 per common share for a period of 24 months following the closing of the private placement.