

ZENYATTA VENTURES LTD.

CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended December 31, 2016 and 2015

(Unaudited)

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim financial statements, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of financial statements by an entity's auditor.

Management has prepared the information and representations in this interim report. The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's best estimates and judgement. The financial information presented throughout this report is consistent with the data presented in the condensed interim financial statements.

Zenyatta Ventures Inc. maintains adequate systems of internal accounting and administrative controls, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee is composed of three directors. This Committee meets periodically with management and the external auditors to review accounting, auditing, internal control and financial reporting matters.

Aubrey Eveleigh
Chief Executive Officer

Tom Mustapic
Chief Financial Officer

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ZENYATTA VENTURES LTD.

CONDENSED INTERIM UNAUDITED STATEMENTS OF FINANCIAL POSITION

	December 31, 2016 \$	March 31, 2016 \$
(Stated in Canadian Dollars)		
ASSETS		
Non-current assets		
Equipment [note 3]	41,291	45,536
Exploration and evaluation assets [note 4]	21,438,847	20,983,520
Total non-current assets	21,480,138	21,029,056
Current assets		
Cash	318,124	169,598
Temporary investments [note 5]	1,263,283	262,862
Amounts and other receivables	40,591	53,884
Prepays and deposits	145,715	29,285
Total current assets	1,767,713	515,629
Total assets	23,247,851	21,544,685
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities [note 6]	80,336	91,037
Total liabilities	80,336	91,037
SHAREHOLDERS' EQUITY		
Share capital [note 7(a)]	33,772,297	31,177,216
Warrants [note 7(b)]	437,743	152,799
Share-based payment reserve [note 7(c)]	6,261,715	5,234,420
Shares to be issued [note 4]	472,500	472,500
Deficit	(17,776,740)	(15,583,287)
Total shareholders' equity	23,167,515	21,453,648
Total shareholders' equity and liabilities	23,247,851	21,544,685
Going Concern [note 1]		
Commitments and Contingencies [notes 4 and 12]		
Subsequent Events [note 15]		

See accompanying notes to the condensed interim unaudited financial statements

These financial statements were authorized for issue by the Board of Directors on February 15, 2017

Approved on behalf of the Board of Directors:

_____, Director
"Aubrey Eveleigh"

_____, Director
"Barry Allan"

ZENYATTA VENTURES LTD.

CONDENSED INTERIM UNAUDITED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

	Three Months Ended December 31, 2016 \$	Three Months Ended December 31, 2015 \$	Nine Months Ended December 31, 2016 \$	Nine Months Ended December 31, 2015 \$
(Stated in Canadian Dollars)				
EXPENSES				
Amortization	2,429	2,735	7,286	8,207
Consulting fees	97,547	139,833	301,551	405,615
General and administrative [note 14]	414,219	232,258	840,128	784,818
Investor relations and promotion	-	1,151	10,780	26,406
Professional fees	12,831	20,295	71,857	110,369
Stock-based compensation [note 7(c)]	248,744	438,480	965,021	2,148,192
Stock exchange and filing fees	-	-	-	2,994
Loss from operating activities	775,770	834,752	2,196,623	3,486,601
Interest and other revenue	992	1,311	3,170	2,813
Net loss for the period, being total comprehensive loss for the period	774,778	833,441	2,193,453	3,483,788
Basic and diluted net loss per share [note 13]	0.01	0.01	0.04	0.06

See accompanying notes to the condensed interim unaudited financial statements

ZENYATTA VENTURES LTD.

CONDENSED INTERIM UNAUDITED STATEMENTS OF CASH FLOWS

	Nine Months Ended December 31, 2016 \$	Nine Months Ended December 31, 2015 \$
(Stated in Canadian Dollars)		
OPERATING ACTIVITIES		
Loss for the period	(2,193,453)	(3,483,788)
Items not affecting cash		
Amortization [note 3]	7,286	8,207
Stock-based compensation [note 7(c)]	965,021	2,148,192
	(1,221,146)	(1,327,389)
Net change in non-cash working capital balances [note 8]	(129,048)	39,177
Cash (used in) operating activities	(1,350,194)	(1,288,212)
INVESTING ACTIVITIES		
Mineral exploration and evaluation expenditures	(377,843)	(966,209)
Purchase of equipment	(3,041)	-
Purchase of temporary investments	(1,563,283)	(1,400,000)
Redemption of temporary investments	562,862	1,024,441
Government assistance received [note 4]	-	48,063
Cash provided by (used in) investing activities	(1,381,305)	(1,293,705)
FINANCING ACTIVITIES		
Units issued	-	2,112,500
Unit issue costs	-	(136,370)
Common shares issued [note 7(a)]	2,947,701	-
Share issue costs	(67,676)	-
Proceeds from stock options exercised [note 7(a)]	-	692,500
Cash provided by financing activities	2,880,025	2,668,630
 Increase in cash during the period	 148,526	 86,713
Cash, beginning of period	169,598	132,485
Cash, end of period	318,124	219,198

Supplementary disclosures - see note 8

See accompanying notes to the condensed interim unaudited financial statements

ZENYATTA VENTURES LTD.

CONDENSED INTERIM UNAUDITED STATEMENTS OF CHANGES IN EQUITY

	Number of Shares	Share Capital \$	Warrants \$	Share-Based Payment Reserve \$	Shares to be Issued \$	Deficit \$	Total Equity \$
(Stated in Canadian Dollars)							
Balance as at March 31, 2015	56,389,016	28,063,885	110,000	3,840,274	472,500	(12,071,106)	20,415,553
Issuance of units [note 7(a)]	1,690,000	1,949,157	163,343	-	-	-	2,112,500
Unit issue costs	-	(125,826)	(10,544)	-	-	-	(136,370)
Recognition of stock-based compensation [note 7(c)]	-	-	-	2,226,515	-	-	2,226,515
Stock options expired [note 7(c)]	-	-	-	(575,625)	-	575,625	-
Stock options exercised [note 7(a)]	875,000	1,290,000	-	(597,500)	-	-	692,500
Warrants expired [note 7(b)]	-	-	(110,000)	-	-	110,000	-
Net loss and comprehensive loss for the period	-	-	-	-	-	(3,483,788)	(3,483,788)
Balance as at December 31, 2015	58,954,016	31,177,216	152,799	4,893,664	472,500	(14,869,269)	21,826,910
Balance as at March 31, 2016	58,954,016	31,177,216	152,799	5,234,420	472,500	(15,583,287)	21,453,648
Rights offering [note 7(a)]	3,930,268	2,947,701	-	-	-	-	2,947,701
Share issue costs	-	(352,620)	-	-	-	-	(352,620)
Recognition of stock-based compensation [note 7(c)]	-	-	-	1,027,295	-	-	1,027,295
Warrants issued [note 7(b)]	-	-	284,944	-	-	-	284,944
Net loss and comprehensive loss for the period	-	-	-	-	-	(2,193,453)	(2,193,453)
Balance as at December 31, 2016	62,884,284	33,772,297	437,743	6,261,715	472,500	(17,776,740)	23,167,515

See accompanying notes to the condensed interim unaudited financial statements

ZENYATTA VENTURES LTD.

NOTES TO THE CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

FOR THE NINE MONTHS ENDED DECEMBER 31, 2016 AND 2015

1. NATURE OF BUSINESS AND GOING CONCERN

Zenyatta Ventures Ltd. (the "Company") was incorporated on July 29, 2008 under the laws of the province of Ontario, Canada. The principal business of the Company is to identify and evaluate opportunities for the acquisition of an interest in mineral exploration assets or businesses and, once identified, to negotiate an acquisition or participation. The address of the Company's executive office is 1224 Amber Drive, Thunder Bay, Ontario, P7B 6M5, Canada.

The Company is engaged in the acquisition, exploration and development of properties for the mining of precious and base metals. The Company is in the process of exploring its resource properties for mineral resources and has not determined whether the properties contain economically recoverable reserves. The recovery of the amounts shown for the exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the exploration, and upon future profitable production.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, social licensing requirements and non-compliance with regulatory requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, and political uncertainty.

These condensed interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The Company had continuing losses for the nine month period ended December 31, 2016. As at December 31, 2016, the Company had an accumulated deficit of \$17,776,740 and working capital of \$1,687,377. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, the ability of the Company to obtain necessary financing, and the ability of the Company to identify, evaluate, and negotiate an acquisition of, a participation in or an interest in properties, assets, or businesses. Management feels that additional working capital will be required from public share offerings and stock option exercises to meet the Company's liabilities and commitments as they come due. These conditions indicate the existence of a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. These condensed interim financial statements do not reflect any adjustments to amounts that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

ZENYATTA VENTURES LTD.

NOTES TO THE CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

FOR THE NINE MONTHS ENDED DECEMBER 31, 2016 AND 2015

2. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 - Interim Financial Reporting. The accounting policies followed in these condensed interim financial statements were applied on a consistent basis as those applied in the Company's audited annual financial statements for the year ended March 31, 2016, except as noted below.

The condensed interim financial statements do not contain all disclosures required under IFRS and should be read in conjunction with the Company's audited annual financial statements and the notes thereto for the year ended March 31, 2016.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period.

Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include exploration and evaluation assets, share-based payments, allocation of financing proceeds and income taxes. Differences may be material.

New Accounting Standards and Interpretations Adopted

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. As at April 1, 2016, the Company adopted this pronouncement and there was no material impact on the Company's financial statements.

ZENYATTA VENTURES LTD.
NOTES TO THE CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

FOR THE NINE MONTHS ENDED DECEMBER 31, 2016 AND 2015

2. SIGNIFICANT ACCOUNTING POLICIES (continued)
New Accounting Standards and Interpretations not yet Adopted

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning on or after January 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

IAS 12 – Income Taxes ("IAS 12") was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

ZENYATTA VENTURES LTD.

NOTES TO THE CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

FOR THE NINE MONTHS ENDED DECEMBER 31, 2016 AND 2015

3. EQUIPMENT

For the nine months ended December 31, 2016

	Opening net book value \$	Additions \$	Disposals \$	Amortization for the period \$	Closing net book value \$
Equipment - Automotive	10,185	-	-	(1,527)	8,658
Equipment - Office	5,885	-	-	(883)	5,002
Equipment - Field	13,019	-	-	(1,953)	11,066
Computers	16,447	3,041	-	(2,923)	16,565
Total	45,536	3,041	-	(7,286)	41,291

As at December 31, 2016

	Cost \$	Accumulated Amortization \$	Net book value \$
Equipment - Automotive	31,083	(22,426)	8,657
Equipment - Office	20,767	(15,764)	5,003
Equipment - Field	37,762	(26,695)	11,067
Computers	41,788	(25,224)	16,564
Total	131,400	(90,109)	41,291

For the year ended March 31, 2016

	Opening net book value \$	Additions \$	Disposals \$	Amortization for the year \$	Closing net book value \$
Equipment - Automotive	12,731	-	-	(2,546)	10,185
Equipment - Office	7,357	-	-	(1,472)	5,885
Equipment - Field	16,274	-	-	(3,255)	13,019
Computers	18,353	2,205	-	(4,111)	16,447
Total	54,715	2,205	-	(11,384)	45,536

As at March 31, 2016

	Cost \$	Accumulated Amortization \$	Net book value \$
Equipment - Automotive	31,083	(20,898)	10,185
Equipment - Office	20,767	(14,882)	5,885
Equipment - Field	37,762	(24,743)	13,019
Computers	38,747	(22,300)	16,447
Total	128,359	(82,823)	45,536

ZENYATTA VENTURES LTD.

NOTES TO THE CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

FOR THE NINE MONTHS ENDED DECEMBER 31, 2016 AND 2015

4. EXPLORATION AND EVALUATION ASSETS

During the year ended March 31, 2010, the Company signed an option agreement which was subsequently superseded and replaced effective November 2, 2010 (the "Albany Agreement"), to earn an interest in the Albany Property located in Northern Ontario. Under the terms of the Albany Agreement, the Company can acquire, upon exercise of the first option, a 25% interest in the Albany Property, and upon exercise of the second option, an additional 55% interest in the Albany Property. The Albany Property consists of two groupings of claims, the "Block 4F Claims" and the other claims. The first option was exercised after completion of a helicopter borne geophysical survey on the property and issuance of 1,000,000 units to the optionor, each unit being comprised of one common share and one warrant to purchase one additional common share at a price of \$1.50 any time before December 23, 2015.

The second option was exercised on the Block 4F Claims after making certain payments totaling \$140,000 and incurring aggregate expenses on the property of not less than \$10,000,000. Both parties to the agreement acknowledge that the second option has been acquired.

The Albany Property is subject to payment of a 2.0% net smelter royalty ("NSR"), which may be reduced to 1.0% upon payment of \$1,000,000, and success fees of \$250,000 upon commencement of the first pre-feasibility study and \$500,000 upon commencement of each additional pre-feasibility study on each of the Block 4F Claims and the other claims. The success fees and NSR are payable to a corporation controlled by the President, Chief Executive Officer and Director of the Company.

On November 21, 2012, the Company reached an agreement with the optionor to amend the Albany Agreement and acquired the remaining 20% interest in the Block 4F Claims bringing the Company's total interest in the claims to 100%. Pursuant to the terms of the transaction, the Company and the optionor agreed to the following with respect to this agreement which are in addition to the above terms:

- a) The Company will issue to the optionor a total of 1,250,000 shares as follows: (i) 500,000 shares upon signing the agreement (issued and valued at \$315,000 based on the fair market value at the agreement date); (ii) 250,000 shares to be issued upon completion of a pre-feasibility study (valued at \$157,500 based on the fair market value at the agreement date); (iii) 500,000 shares to be issued upon completion of a feasibility study (valued at \$315,000 based on the fair market value at the agreement date). Total shares to be issued are 750,000 common shares valued at \$472,500.
- b) The Company granted the optionor a net smelter return royalty of 0.75% on the Block 4F Claims, of which 0.5% can be purchased at any time for \$500,000.
- c) Assumption of all liabilities of the property.

The second option on the other claims is subject to a covenant to conduct drilling, a payment of \$55,000 on July 1, 2013 (paid) and an obligation not to be in default of the terms under the Albany Agreement. The Albany Agreement provides a clawback right that allows the optionor to reduce the Company's interest in the other claims to 30% subsequent to the exercise of the second option by giving notice within 30 days that the optionor intends to commence sole funding up to completion of a feasibility study within 48 months and within 30 days deliver a payment of \$27,500,000.

ZENYATTA VENTURES LTD.

NOTES TO THE CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

FOR THE NINE MONTHS ENDED DECEMBER 31, 2016 AND 2015

4. EXPLORATION AND EVALUATION ASSETS (continued)

The amounts shown below represent costs incurred to date, and do not necessarily represent present or future value as these are entirely dependent upon the economic recovery of future ore reserves.

	Opening Balance \$	Expenditures \$	Ending Balance \$
Albany Property			
For the year ended March 31, 2016	20,048,248	935,272	20,983,520
For the nine months ended December 31, 2016	20,983,520	455,327	21,438,847

Expenditures include acquisition costs of \$1,292,500 for the Albany Property as at December 31, 2016 (March 31, 2016 - \$1,292,500). The remaining balances are comprised of exploration expenditures. Government assistance received during the nine months ended December 31, 2016 totaled \$52,525 (2015: \$48,063).

5. TEMPORARY INVESTMENTS

	December 31, 2016 \$	March 31, 2016 \$
Guaranteed investment certificates		
Cashable, 0.669%, maturing August 19, 2016	-	200,000
Cashable, 0.669%, maturing August 19, 2016	-	62,862
Cashable, 0.5%, maturing August 21, 2017	63,283	
Cashable, 0.73%, maturing August 23, 2017	1,200,000	-
	1,263,283	262,862

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2016 \$	March 31, 2016 \$
Trade payables	55,336	66,037
Accrued liabilities	25,000	25,000
	80,336	91,037

ZENYATTA VENTURES LTD.

NOTES TO THE CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

FOR THE NINE MONTHS ENDED DECEMBER 31, 2016 AND 2015

7. SHARE CAPITAL

(a) Share Capital

The Company is authorized to issue an unlimited number of common shares, with no par value.

During the nine month period ended December 31, 2016, the Company completed the following share capital transactions:

On June 10, 2016, the Company completed an offering of shares by way of a rights offering for 3,930,268 common shares at \$0.75 per common share for gross proceeds of \$2,947,701 and net proceeds of \$2,880,025. The Company issued to each shareholder one right (the "Rights") for each common share held by such shareholder. Every 15 Rights entitled the holder thereof to purchase one common share in the Company at a price of \$0.75 per common share.

During the nine month period ended December 31, 2015, the Company completed the following share capital transactions:

A total of 250,000 common shares were issued upon exercise of 250,000 stock options at a price of \$1.27 per option for total proceeds of \$317,500. The carrying value of the options, being \$297,500, was removed from Share-based payment reserve and added to Share Capital.

A total of 625,000 common shares were issued upon exercise of 625,000 stock options at a price of \$0.60 per option for total proceeds of \$375,000. The carrying value of the options, being \$300,000, was removed from Share-based payment reserve and added to Share Capital.

In a private placement financing, a total of 1,690,000 units were issued at \$1.25 per unit for gross proceeds of \$2,112,500. Each unit consisted of one common share and one-half of one common share purchase warrant exercisable at \$1.65 for a period of 12 months. The securities issued pursuant to the offering are subject to a four month and one day statutory hold period.

ZENYATTA VENTURES LTD.

NOTES TO THE CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

FOR THE NINE MONTHS ENDED DECEMBER 31, 2016 AND 2015

7. SHARE CAPITAL (continued)

(b) Share Purchase Warrants

Details of share purchase warrants outstanding as of December 31, 2016 are as follows:

Expiry Date	Exercise Price \$	Grant Date Fair Value \$	December 31, 2016 #
June 11, 2018	0.83	284,944	982,567
August 11, 2018	1.65	152,799	845,000
		437,743	1,827,567

The following is a summary of warrants activity for the periods ended December 31, 2016 and March 31, 2016:

	December 31, 2016		March 31, 2016	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Balance, beginning of period	845,000	1.65	1,000,000	1.50
Granted	982,567	0.83	845,000	1.65
Exercised	-	-	-	-
Expired	-	-	(1,000,000)	1.50
Balance, end of period	1,827,567	1.21	845,000	1.65

Subject to certain conditions, six individual shareholders (the "Guarantors") each agreed to provide a standby guarantee (the "Standby Commitment") to purchase such common shares that were available to be purchased, but not otherwise subscribed for, that would have resulted in a maximum of 3,930,268 common shares issued under the rights offering. As the rights offering was fully-subscribed, the Guarantors were not required to fulfill their respective obligations under the Standby Commitment. As consideration for the Standby Commitment, the Guarantors received share purchase warrants ("Standby Warrants") entitling the Guarantors to acquire up to 982,567 common shares at an exercise price of \$0.83 per common share that are exercisable up to June 11, 2018. The remaining contractual life of the warrants issued and outstanding at December 31, 2016 was 1.44 years. The Company has estimated the value of these warrants to be \$284,944 using the Black-Scholes option pricing model and recorded these warrants as share issue costs when they were issued. The fair value of these warrants was estimated using the following assumptions: expected dividend yield of 0%; expected volatility of 74%; risk-free interest rate of 0.54%; and expected life of 2 years.

On August 11, 2015, the Company issued 845,000 share purchase warrants as part of a private placement financing with an exercise price of \$1.65 and an expiry date of August 11, 2016 (subsequently extended to August 11, 2018). The grant date fair value of these warrants was \$0.19. The remaining contractual life of the warrants issued and outstanding at December 31, 2016 was 1.61 years. The fair value of these warrants was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 72%; risk-free interest rate of 0.44%; and expected life of 1 year. Common shares acquired through the exercise of these warrants are subject to a four month and one day statutory hold period. On August 11, 2015, the Company's common shares closed at a price of \$1.24.

ZENYATTA VENTURES LTD.

NOTES TO THE CONDENSED INTERIM UNAUDITED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

FOR THE NINE MONTHS ENDED DECEMBER 31, 2016 AND 2015

7. SHARE CAPITAL (continued)

(c) Stock Options and Share-Based Payment Reserve

The Company has a stock option plan (the "Plan") for directors, officers, employees and consultants. The Plan authorizes the granting of options to purchase up to a maximum of 10% of the issued and outstanding common shares at the time of grant, of which 5,450,000 options are outstanding as at December 31, 2016.

The Plan provides that:

- a) any options granted pursuant to the Plan shall expire no later than ten years after the date of grant;
- b) any options granted pursuant to the Plan shall be non-assignable and non-transferable;
- c) the number of common shares issuable pursuant to the Plan to any one person in any 12-month period shall not exceed 5% of the outstanding common shares;
- d) the number of common shares issuable pursuant to the Plan to any one consultant in any 12-month period may not exceed 2% of the outstanding common shares;
- e) the number of common shares issuable pursuant to the Plan to persons employed in investor relation activities may not exceed 2% of the outstanding common shares in any 12-month period.
- f) the Plan provides that options shall expire and terminate 90 days following the date the optionee ceases to be an employee, director or officer of, or consultant to, the Company, provided that if such termination is as a result of death of the optionee, the optionee's personal representative shall have one year to exercise such options.
- g) the number of common shares: (1) reserved for issuance to insiders of the Company may not exceed 10% of the issued and outstanding common shares; and (2) which may be issued to insiders within a one-year period may not exceed 10% of the issued and outstanding common shares.
- h) the Plan provides that options granted under the Plan shall vest in the optionee, and may be exercisable by the optionee under certain vesting terms.

During the nine month period ended December 31, 2016, the Company issued the following stock options:

On July 5, 2016, the Company issued 1,700,000 stock options to a number of directors, officers, employees and consultants with an exercise price of \$0.72 and an expiry date of July 5, 2021. The grant date fair value of these stock options was \$0.56. The remaining contractual life of the stock options issued and outstanding at December 31, 2016 was 4.51 years. The fair value of these options was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 107%; expected forfeiture rate of 0%; risk-free interest rate of 0.58%; and expected life of 5 years. The vesting period for these options is as follows: 1/3 at July 5, 2016; 1/3 at January 5, 2017; 1/3 at July 5, 2017.

On August 17, 2016, the Company issued 150,000 stock options to an employee with an exercise price of \$0.81 and an expiry date of August 17, 2021. The grant date fair value of these stock options was \$0.62. The remaining contractual life of the stock options issued and outstanding at December 31, 2016 was 4.63 years. The fair value of these options was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 104%; expected forfeiture rate of 0%; risk-free interest rate of 0.58%; and expected life of 5 years. The vesting period for these options is as follows: 1/3 at August 17, 2016; 1/3 at February 17, 2017; 1/3 at August 17, 2017.

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7. SHARE CAPITAL (continued)

(c) Stock Options and Share-Based Payment Reserve (continued)

During the nine month period ended December 31, 2015, the Company issued the following stock options:

On April 21, 2015, the Company issued 850,000 stock options to a number of employees and consultants with an exercise price of \$1.87 and an expiry date of April 21, 2020. The grant date fair value of these stock options was \$1.66. The remaining contractual life of the stock options issued and outstanding at December 31, 2016 was 3.31 years. The fair value of these options was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 140%; expected forfeiture rate of 0%; risk-free interest rate of 0.68%; and expected life of 5 years. The vesting period for these options is as follows: 33% at April 21, 2015; 33% at October 21, 2015; 34% at April 21, 2016.

On August 31, 2015, the Company issued 950,000 stock options to a number of directors, officers and consultants with an exercise price of \$1.43 and an expiry date of August 31, 2020. The grant date fair value of these stock options was \$1.17. The remaining contractual life of the stock options issued and outstanding at December 31, 2016 was 3.67 years. The fair value of these options was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 140%; expected forfeiture rate of 0%; risk-free interest rate of 0.68%; and expected life of 5 years. The vesting period for these options is as follows: 33% at August 31, 2015; 33% at February 28, 2016; 34% at August 31, 2016.

The Company's computation of expected volatility for the nine months ended December 31, 2016 and 2015 is based on the Company's market close price over a prior period equal to the expected useful life of the options.

The Company applies the fair value method of accounting for share-based payment awards to directors, officers, employees and non-employees. Accordingly, the following amounts have been recognized as compensation expense, exploration and evaluation assets and under capital stock as share-based payment reserve:

	Nine Months Ended December 31, 2016	Nine Months Ended December 31, 2015
	\$	\$
Stock-based compensation expense	965,021	2,148,192
Exploration and evaluation assets	62,274	78,323
	1,027,295	2,226,515

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7. SHARE CAPITAL (continued)

(c) Stock Options and Share-Based Payment Reserve (continued)

Stock option and share-based payment activity for the periods ended December 31, 2016 and March 31, 2016 are summarized as follows:

	December 31, 2016		March 31, 2016	
	Number	Weighted average exercise price	Number	Weighted average exercise price
		\$		\$
Balance, beginning of period	3,600,000	1.69	3,637,500	1.25
Granted	1,850,000	0.73	1,800,000	1.64
Exercised	-	-	(875,000)	0.79
Expired	-	-	(962,500)	0.80
Balance, end of period	5,450,000	1.37	3,600,000	1.69

At December 31, 2016, outstanding options to acquire common shares of the Company were as follows:

Expiry Date	Exercise Price	Number of Options Issued	Number of Options Exercisable	Grant date fair value	Weighted average remaining contractual life
	\$	#	#	\$	(years)
January 30, 2018	0.94	100,000	100,000	88,000	1.08
February 7, 2018	1.27	775,000	775,000	922,250	1.10
August 11, 2019	2.11	625,000	625,000	1,193,750	2.61
March 23, 2020	1.90	100,000	100,000	169,000	3.23
April 21, 2020	1.87	850,000	850,000	1,411,000	3.31
August 31, 2020	1.46	950,000	950,000	1,111,500	3.67
July 5, 2021	0.72	1,700,000	566,667	952,000	4.51
August 17, 2021	0.81	150,000	50,000	93,000	4.63
November 18, 2023	2.78	200,000	200,000	520,000	6.88
		5,450,000	4,216,667	6,460,500	3.48

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8. SUPPLEMENTAL DISCLOSURES ON STATEMENTS OF CASH FLOWS

Changes in non-cash working capital balances consist of:

	December 31, 2016 \$	December 31, 2015 \$
Amounts and other receivables	13,293	55,372
Prepays and deposits	(116,430)	13,425
Accounts payable and accrued liabilities	(25,911)	(29,620)
	(129,048)	39,177

Supplementary disclosures:

Change in accrued exploration property expenditures	\$ 15,210	\$ (56,970)
Stock-based compensation charged to exploration and evaluation assets	\$ 62,274	\$ -
Warrants issued charged to share issue costs	\$ 284,944	\$ -

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9. RELATED PARTY TRANSACTIONS

The total transactions with a company controlled by a member of key management personnel during the nine month periods ended December 31, 2016 and 2015 were as follows:

	2016	2015
	\$	\$
Exploration and evaluation assets	118,221	124,828
General and administrative	21,757	2,747
	139,978	127,575

The remuneration of directors and other members of key management personnel during the nine month periods ended December 31, 2016 and 2015 were as follows:

	2016	2015
	\$	\$
Short-term benefits	356,634	371,996
Share-based payments	736,003	843,879
	1,092,637	1,215,875

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the board of directors having regard to the performance of individuals and market trends.

See also notes 4 and 12(c).

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10. FINANCIAL INSTRUMENTS AND RELATED RISKS

The Company's operations include the acquisition and exploration of mineral properties in Canada. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors. There have been no significant changes in the risks, objectives, policies and procedures for managing risks during the nine month period ended December 31, 2016.

a) Credit Risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

i) Trade Credit Risk

The Company is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior period.

ii) Cash and Temporary Investments

In order to manage credit and liquidity risk, the Company invests only in highly rated investment grade instruments that have maturities of one year or less. Limits are also established based on the type of investment, the counterparty and the credit rate.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. Accounts payable and accrued liabilities are due within the current operating period.

c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a significant loss as a result of a decline in the fair market value of investments or items held within cash and cash equivalents is limited given that the majority have a relatively short maturity. The Company manages its interest rate risk with investments by investing the majority of funds in short-term investments and therefore is not exposed to significant fluctuations in interest rates. The Company believes that its interest rate risk is minimal.

d) Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The functional and reporting currency of the Company is the Canadian dollar. The Company is involved with a small number of foreign vendors in the United States of America. Changes in the currency exchange rates between the Canadian dollar relative to the U.S. dollar could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations as the exposure has been deemed to be minimal.

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10. FINANCIAL INSTRUMENTS AND RELATED RISKS (continued)

e) Fair Value of Financial Instruments

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 - quoted prices (unadjusted) 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 liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2016, temporary investments which are measured based on fair value are classified as Level 2 within the fair value hierarchy.

The fair values of all of the Company's financial instruments approximate their carrying values, given their short-term nature.

f) Sensitivity Analysis

Based on management's knowledge and experience in the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period:

Temporary investments are invested in guaranteed investment certificates. Sensitivity to a plus or minus 1% change in rates, based on the current balance of temporary investments, would affect the net loss by approximately plus or minus \$12,600 during a twelve-month period.

11. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern. In the management of capital, the Company monitors its adjusted capital which comprises all components of shareholders' equity. 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's capital management objectives, policies and processes have remained unchanged during the nine months ended December 31, 2016 and the year ended March 31, 2016.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than Policy 2.5 of the TSX Venture Exchange which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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12. COMMITMENTS AND CONTINGENCIES

a) Leases

On December 20, 2016, the Company entered into a vehicle lease agreement. The lease term is for a period of two years expiring December 19, 2018. The Company must pay \$708 per month under the terms of the lease.

On January 20, 2014, the Company entered into a lease for commercial purposes, amended on March 23, 2015. The lease term is for a period of two years expiring March 31, 2017. The Company must pay \$4,200 per month under the terms of the lease.

Minimum lease payments in the Company's fiscal years to the expiration of the leases are as follows:

2017	\$	14,724
2018	\$	8,496
2019	\$	6,372

Operating lease payments expensed by the Company for the nine months ended December 31, 2016 and 2015 were as follows:

2016	2015
\$	\$
49,163	50,283

b) Environmental Contingencies

The Company's exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

c) Employment Agreements

The Company's President and Chief Executive Officer is the only officer who currently has an employment agreement with the Company with a change of control provision. The agreement, dated August 1, 2010, provides that in the event that the employment is terminated by the Company other than for cause, or within 90 days of a change of control of the Company, then the officer is entitled to (i) a lump sum payment equal to the greater of 24 months' salary or six months' salary for each year or partial year of service, (ii) all outstanding and accrued regular and vacation pay and expenses and (iii) the immediate vesting of his options which shall continue to be available for exercise for a period of two years following the date of termination. The current salary level for this individual pursuant to the employment agreement is \$225,000 per annum.

The Company has an employment agreement with its Vice-President of Exploration and Chief Geologist dated January 1, 2014. The current salary level for the individual pursuant to the employment agreement is \$150,000 annually.

The Company has an employment agreement with its Vice-President Market Development dated November 15, 2014. The current salary level for the individual pursuant to the employment agreement is US\$132,000 annually.

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12. COMMITMENTS AND CONTINGENCIES (continued)

d) Exploration Agreement

The Company has entered into an agreement with Constance Lake First Nation ("CLFN") governing the relationship in regard to the Company's exploration on traditional lands of CLFN, pursuant to which, the Company has the following commitments.

Cost of Implementation Committee:

On a yearly basis, commencing on the date that an implementation committee is formed and continuing for the following twelve (12) months, the Company shall make a total contribution of \$22,000, and in years following the year in which this agreement is executed, an additional amount equivalent to the increase in the Ontario consumer price index for the preceding year, to pay: the reasonable expenses of the Implementation Committee members and the reasonable costs of an archaeologist for any archaeological assessments. As of December 31, 2016, the Company is in compliance with this agreement.

Cost of Annual Gathering:

The Company will pay on an annual basis, \$1,200, and in years following the year in which this agreement is executed, an additional amount equivalent to the increase in the Ontario consumer price index for the preceding year, for CLFN and the Company to have a community "feast" and conduct an information session with CLFN members about the exploration, this agreement and any issues pertaining to this agreement's implementation.

13. LOSS PER SHARE

Basic loss per share figures are calculated using the weighted average number of common shares outstanding. The weighted average number of common shares issued and outstanding for the nine months ended December 31, 2016 is 61,883,852 (2015: 57,964,634). Diluted loss per share figures are calculated after taking into account all warrants and stock options granted. Exercise of the outstanding warrants and stock options would be anti-dilutive with respect to loss per share calculations, and therefore diluted loss per share is equal to basic loss per share. The number of potentially dilutive common shares resulting from the exercise of outstanding warrants and stock options that were not included in the calculation of diluted loss per share was 7,277,567 (2015: 4,445,000).

14. GENERAL AND ADMINISTRATIVE EXPENSES

	Three Months Ended December 31, 2016 \$	Three Months Ended December 31, 2015 \$	Nine Months Ended December 31, 2016 \$	Nine Months Ended December 31, 2015 \$
Salaries and benefits	235,726	121,804	487,412	436,913
Meals and entertainment	23,502	14,761	33,956	35,382
Finder fee	-	-	-	47,790
Accommodations	25,518	3,879	36,417	13,095
Investor communications	52,398	33,556	94,470	82,038
Travel	14,536	14,685	35,331	37,276
Occupancy and office expenses	62,539	43,573	152,542	132,324
	414,219	232,258	840,128	784,818

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15. SUBSEQUENT EVENTS

On January 27, 2017, 250,000 stock options were issued to a director under the stock option plan described in note 7(c). The stock options have an exercise price of \$0.98 per share and an expiry date of January 27, 2022. The vesting period of the options is as follows: 1/3 at January 27, 2017; 1/3 at July 27, 2017; 1/3 at January 27, 2018.

On January 30, 2017, 50,000 stock options with an exercise price of \$1.27 and 100,000 stock options with an exercise price of \$1.87 expired due to an employee dismissal.