

Carube Copper Corp.

(An Exploration Stage Company)

Unaudited Condensed Consolidated Interim Financial Statements

**For the three and six month periods ended February 28, 2017
and February 29, 2016**

(expressed in Canadian dollars)

**NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The accompanying condensed consolidated interim financial statements of Carube Copper Corp. (the "Company") have been prepared by and are the responsibility of the Company's management. The Company's Audit Committee and Board of Directors has reviewed and approved these condensed consolidated interim financial statements.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements.

Carube Copper Corp.

(An Exploration Stage Company)

Unaudited Consolidated Interim Statements of Financial Position

(expressed in Canadian dollars)

	February 28, 2017	August 31, 2016
	\$	\$
Assets		
Current assets:		
Cash and cash equivalents	1,146,405	128,672
Restricted cash (note 4)	50,613	77,216
Amounts receivable	17,055	11,970
Prepaid expenses	111,591	108,551
	<u>1,325,664</u>	<u>326,409</u>
Equipment	17,741	20,031
Mineral exploration properties (note 4)	7,207,333	7,176,197
Deferred exploration expenditures (note 4)	3,562,267	3,390,988
	<u>10,787,341</u>	<u>10,587,216</u>
Total assets	<u>12,113,005</u>	<u>10,913,625</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	477,496	173,180
OZ Minerals Ltd. exploration advance (note 4)	18,584	57,183
Bridge loans payable (note 5)	193,274	-
Promissory notes payable (note 6)	1,216,704	344,400
	<u>1,906,058</u>	<u>574,763</u>
Flow-through premium liability (note 8)	3,997	17,778
Bridge loans payable (note 5)	-	180,719
Promissory notes payable (note 6)	-	813,067
	<u>1,910,055</u>	<u>1,586,327</u>
Total liabilities	<u>1,910,055</u>	<u>1,586,327</u>
Shareholders' equity		
Capital stock (note 7)	12,196,808	12,171,571
Share subscriptions (notes 7 and 13)	1,207,153	-
Warrants (note 7)	788,864	803,339
Contributed surplus	723,967	529,425
Accumulated deficit	(4,495,159)	(3,978,217)
Accumulated other comprehensive loss	(218,683)	(198,820)
	<u>10,202,950</u>	<u>9,327,298</u>
Total shareholders' equity	<u>10,202,950</u>	<u>9,327,298</u>
Total liabilities and shareholders' equity	<u>12,113,005</u>	<u>10,913,625</u>
Going concern (note 1)		
Subsequent events (note 13)		

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

Approved by the Board of Directors:

(signed) "Jeffrey Ackert"
Director

(signed) "Greg LeBlanc"
Director

Carube Copper Corp.

(An Exploration Stage Company)

Unaudited Consolidated Interim Statements of Operations and Comprehensive Loss

(expressed in Canadian dollars)

	Three months ended February 28, 2017 \$	Three months ended February 29, 2016 \$	Six months ended February 28, 2017 \$	Six months ended February 29, 2016 \$
Expenses				
Promotion and investor relations	46,064	45,951	81,735	99,747
Regulatory authority and transfer agent fees	4,400	5,067	8,965	7,918
Legal, accounting, audit and financial advisory	13,860	11,190	32,349	22,705
Office, general and administrative	78,327	83,222	157,732	179,948
Share based compensation (note 7)	99,680	24,231	180,068	50,020
	<u>242,331</u>	<u>169,661</u>	<u>460,849</u>	<u>360,338</u>
Interest income	(18)	(9)	(56)	(109)
Interest expense	35,795	38,150	71,793	76,326
Gain on forgiveness of debt (note 7)	-	(187,500)	-	(194,000)
Other income	(963)	(4,813)	(14,726)	(9,315)
Foreign exchange loss (gain)	403	(743)	(918)	(3,734)
	<u>35,217</u>	<u>(154,915)</u>	<u>56,093</u>	<u>(130,832)</u>
Net loss for the period	<u>277,548</u>	<u>14,746</u>	<u>516,942</u>	<u>229,506</u>
Other comprehensive loss (income)				
Items that may be subsequently reclassified to operations				
Foreign currency translation adjustment	53,261	(6,910)	19,863	34,795
Total comprehensive loss for the period	<u>330,809</u>	<u>7,836</u>	<u>536,805</u>	<u>264,301</u>
Loss per common share:				
Basic and diluted	<u>(0.00)</u>	<u>(0.00)</u>	<u>(0.01)</u>	<u>(0.00)</u>
Weighted average number of common shares outstanding:				
Basic and diluted	<u>70,126,581</u>	<u>61,630,741</u>	<u>70,092,372</u>	<u>61,835,940</u>

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

Carube Copper Corp.

(An Exploration Stage Company)

Unaudited Consolidated Interim Statements of Changes in Shareholders' Equity

(expressed in Canadian dollars)

	Capital stock		Share	Warrants		Contributed	Accumulated	Accumulated	Total
	#	\$	subscriptions	#	\$	surplus	deficit	other comprehensive income (loss)	shareholders' equity
	#	\$	\$	#	\$	\$	\$	\$	\$
Balance, August 31, 2016	69,888,433	12,171,571	-	13,632,707	803,339	529,425	(3,978,217)	(198,820)	9,327,298
Net loss for the period	-	-	-	-	-	-	(516,942)	-	(516,942)
Foreign currency translation adjustment	-	-	-	-	-	-	-	(19,863)	(19,863)
Total comprehensive loss for the period	-	-	-	-	-	-	(516,942)	(19,863)	(536,805)
Shares issued for property (note 4)	238,148	26,434	-	-	-	-	-	-	26,434
Share subscriptions (notes 7 and 13)	-	-	1,207,153	-	-	-	-	-	1,207,153
Share issue costs	-	(1,197)	-	-	-	-	-	-	(1,197)
Expiry of warrants (note 7)	-	-	-	(250,000)	(14,475)	14,475	-	-	-
Restricted share units vested (note 7)	-	-	-	-	-	91,592	-	-	91,592
Deferred share units (note 7)	-	-	-	-	-	38,750	-	-	38,750
Stock option compensation charge (note 7)	-	-	-	-	-	49,725	-	-	49,725
	238,148	25,237	1,207,153	(250,000)	(14,475)	194,542	(516,942)	(19,863)	875,652
Balance, February 28, 2017	70,126,581	12,196,808	1,207,153	13,382,707	788,864	723,967	(4,495,159)	(218,683)	10,202,950
Balance, August 31, 2015	61,595,051	11,570,593	-	9,962,707	721,128	126,879	(3,110,449)	18,097	9,326,248
Net loss for the period	-	-	-	-	-	-	(229,506)	-	(229,506)
Foreign currency translation adjustment	-	-	-	-	-	-	-	(34,795)	(34,795)
Total comprehensive loss for the period	-	-	-	-	-	-	(229,506)	(34,795)	(264,301)
Debt settlements with shares (note 7)	605,882	103,000	-	-	-	-	-	-	103,000
Renouncement of shares (note 7)	(937,500)	(187,500)	-	-	-	-	-	-	(187,500)
Share subscriptions	-	-	15,500	-	-	-	-	-	15,500
Private placement of flow-through shares (note 7)	425,000	28,687	-	-	-	-	-	-	28,687
Share issue costs	-	(724)	-	-	-	-	-	-	(724)
Expiry of warrants (note 7)	-	-	-	(280,000)	(224)	224	-	-	-
Deferred share units (note 7)	-	-	-	-	-	98,250	-	-	98,250
Stock option compensation charge (note 7)	-	-	-	-	-	50,020	-	-	50,020
	93,382	(56,537)	15,500	(280,000)	(224)	148,494	(229,506)	(34,795)	(157,068)
Balance, February 29, 2016	61,688,433	11,514,056	15,500	9,682,707	720,904	275,373	(3,339,955)	(16,698)	9,169,180

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

Carube Copper Corp.

(An Exploration Stage Company)

Unaudited Consolidated Interim Statements of Cash Flows

(expressed in Canadian dollars)

	Six months ended February 28, 2017 \$	Six months ended February 29, 2016 \$
Cash provided by (used in)		
Operating activities		
Net loss for the period	(516,942)	(229,506)
Items not affecting cash:		
Share based compensation (note 7)	180,068	50,020
Depreciation of equipment	1,271	1,652
Interest accrued on bridge loans and promissory notes	71,793	75,744
Gain on forgiveness of debt	-	(194,000)
Reduction of flow-through premium in other income (note 8)	(13,781)	-
Change in working capital items:		
Amounts receivable	(5,085)	22,095
Prepaid expenses	(3,040)	21,001
Accounts payable and accrued liabilities	167,450	(58,895)
	<u>(118,266)</u>	<u>(311,889)</u>
Investing activities		
Exploration advances	-	46,000
Mineral exploration properties costs (note 4)	(4,505)	(790)
Deferred exploration expenditures (note 4)	(59,167)	(124,064)
	<u>(63,672)</u>	<u>(78,854)</u>
Financing activities		
Issuance of flow-through shares (note 7)	-	42,500
Share issue costs	(1,197)	(724)
Share subscription proceeds (notes 7 and 13)	1,207,153	15,500
OZ Minerals Ltd. exploration funding (note 4)	316,763	505,791
OZ Minerals Ltd. exploration expenditures (note 4)	(323,048)	(486,188)
OZ Minerals Ltd. option payments (note 4)	-	50,000
Partial repayment of promissory note and interest	-	(10,000)
	<u>1,199,671</u>	<u>116,879</u>
Net change in cash	1,017,733	(273,864)
Cash and cash equivalents - Beginning of period	<u>128,672</u>	<u>336,440</u>
Cash and cash equivalents - End of period	<u>1,146,405</u>	<u>62,576</u>

Supplemental cash flow information (note 12)

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

Carube Copper Corp.
(An Exploration Stage Company)
Notes to Unaudited Condensed Consolidated Interim Financial Statements
February 28, 2017

(expressed in Canadian dollars)

1. Nature of operations and going concern

General information

On June 18, 2015, Miocene Resources Limited ("Miocene"), now renamed Carube Copper Corp. (referred to herein collectively with its subsidiaries as the "Company"), completed a reverse takeover with Carube Resources Inc. (CRI). On July 7, 2015, the Company commenced trading on the TSX Venture Exchange ("TSX-V") under the ticker symbol CUC.

Carube Copper Corp. is an exploration stage junior mining company. Since November of 2009, the Company has been engaged in the identification, acquisition, evaluation and exploration of mineral properties. The Company has not determined whether any of its properties contain mineral resources that are economically recoverable. The recoverability of any amounts recorded for mineral exploration properties and deferred exploration expenditures is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain the necessary financing to complete the development of these resources and upon attaining future profitable production from the properties or sufficient proceeds from disposition of the properties.

The Company's registered office is located at 107 Falldown Lane, Carp (Ottawa), Ontario, Canada where it is domiciled. The Company's subsidiaries include Carube Resources Inc., domiciled in Carp (Ottawa), Canada and Carube Resources Jamaica Limited and Rodinia Jamaica Limited, which are both domiciled in Kingston, Jamaica.

Going concern

These consolidated financial statements have been prepared using International Financial Reporting Standards (IFRS) applicable to a going concern which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

From November 2009 to date, the Company has incurred losses from operations and has had negative cash flows from operating activities. As at February 28, 2017, the Company had a working capital deficiency of \$580,394. Existing funds on hand are not sufficient to support ongoing corporate costs, exploration costs, interest on its indebtedness or repayment of debts. These conditions raise uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. Subsequent to quarter end, on March 2, 2017 the Company completed a private placement financing of units raising gross proceeds of \$1,600,000 for which a total of \$1,207,153 in share subscriptions had been received by quarter end (see notes 7 and 13). The Company will require additional funding to be able to acquire, advance and retain mineral exploration property interests and to meet ongoing requirements for general operations. The ability of the Company to continue as a going concern is dependent on its ability to raise required financing whether through equity or debt financing; through joint ventures; the generation of profits from operations; or, the sale of property assets in the future.

There is no assurance that additional future funding will be available to the Company, or that it will be available on terms which are acceptable to management.

These consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and statement of financial position classifications that would be necessary if the going concern assumption were not appropriate and such adjustments could be material.

2. Basis of presentation

Statement of compliance with International Financial Reporting Standards

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (IAS 34). These condensed consolidated interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the years ended August 31, 2016 and 2015 which have been prepared in accordance with IFRS.

These financial statements were approved by the board of directors for issue on May 1, 2017.

General information and basis of consolidation

Carube Copper Corp. (formerly Miocene Resources Limited) was incorporated under the *Business Corporations Act (Ontario)* on March 29, 2010. The Company completed a reverse takeover with CRI on June 18, 2015. Carube Resources Inc. was incorporated under the *Business Corporations Act (Ontario)* on August 2, 2007 under the name 2144321 Ontario Inc. and was inactive until October 2009 at which time its name was changed to CRI. On March 31, 2011, CRI incorporated Carube Resources Jamaica Limited (CRJL), a wholly-owned Jamaican subsidiary, in order for it to hold the Bellas Gate project mineral exploration licenses and to conduct business as operator of the project. On March 31, 2012, CRI acquired all of the outstanding shares of Rodinia Jamaica Limited (RJL) in exchange for common shares of CRI. RJL holds title to four Special Exclusive Prospecting Licenses (SEPLs) in Jamaica.

The Company's financial statements consolidate those of the parent company and each of its 100% wholly-owned subsidiaries CRI, CRJL and RJL. All inter-company balances and transactions are eliminated upon consolidation. The consolidated financial statements are expressed in Canadian dollars and are prepared using the historical cost method.

Critical accounting estimates and judgments

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended August 31, 2016.

(expressed in Canadian dollars)

3. Summary of significant accounting policies

These condensed consolidated interim financial statements have been prepared using accounting policies that are consistent with those used in the preparation of the Company's audited annual consolidated financial statements for the years ended August 31, 2016 and 2015 except as described in the notes to these condensed consolidated interim financial statements.

New and revised accounting standards

IAS 1 – Presentation of financial statements

In December 2014, the IASB issued amendments to clarify guidance in International Accounting Standard (IAS) 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments form a part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments are effective for reporting periods beginning on or after January 1, 2016. Adoption of these IAS 1 amendments has not had any impact on the Company's financial statements.

IFRS 7 – Statement of cash flows

In January 2016, IASB amended IAS 7, Statement of Cash Flows. The amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and, (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment was mandatory for reporting periods beginning on or after January 1, 2017. The adoption of these IAS 7 amendments has not had an impact on the Company's financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments (IFRS 9) which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on an entity's business model and the contractual cash flow of the financial asset. Classification is made at the time the financial asset is initially recognized, namely when the entity becomes a party to the contractual provisions of the instrument. IFRS 9 also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption of the new standard permitted. Company management has yet to assess the impact of this new standard on the Company's consolidated financial statements. The Company does not intend to early adopt IFRS 9.

Carube Copper Corp.

(An Exploration Stage Company)

Notes to Unaudited Consolidated Interim Financial Statements

February 28, 2017

(expressed in Canadian dollars)

4. Mineral exploration properties and deferred exploration expenditures

	Bellas Gate (Jamaica) \$	Rodinia Licenses (Jamaica) \$	Fiedmont (Quebec, Canada) \$	Rogers Creek, Mackenzie and Salal (BC, Canada) \$	Total \$
<u>Mineral exploration properties:</u>					
Balance, August 31, 2016	1,730,134	1,993,801	150,102	3,302,160	7,176,197
License and claim renewal fees	-	-	3,722	1,283	5,005
Shares issued for property	-	-	26,434	-	26,434
Translation to reporting currency	(237)	(66)	-	-	(303)
Balance, February 28, 2017	1,729,897	1,993,735	180,258	3,303,443	7,207,333
Balance, August 31, 2015	1,732,930	2,043,059	150,102	3,300,719	7,226,810
Cash option payment received	-	(50,000)	-	-	(50,000)
License and claim renewal fees	-	790	-	25	815
Translation to reporting currency	(450)	(96)	-	-	(546)
Balance, February 29, 2016	1,732,480	1,993,753	150,102	3,300,744	7,177,079
<u>Deferred exploration expenditures:</u>					
Balance, August 31, 2016	2,755,928	252,574	130,075	252,411	3,390,988
Geology	32,431	7,499	-	12,317	52,247
Geochemical	16,464	75,720	-	31,575	123,759
Geophysical	274	-	-	170	444
Drilling and related	8,018	-	-	-	8,018
Environmental	378	-	-	-	378
Community and social development	10,665	-	-	-	10,665
Health and safety	-	-	-	22	22
Translation to reporting currency	(21,857)	(2,397)	-	-	(24,254)
Balance, February 28, 2017	2,802,301	333,396	130,075	296,495	3,562,267
Balance, August 31, 2015	2,958,225	240,698	129,985	25,536	3,354,444
Geology	-	748	-	24,386	25,134
Geochemical	5,876	4,828	-	9,740	20,444
Geophysical	-	-	-	130,410	130,410
Translation to reporting currency	(48,098)	(2,595)	-	-	(50,693)
Balance, February 29, 2016	2,916,003	243,679	129,985	190,072	3,479,739

Bellas Gate property agreements

OZ Minerals Ltd. agreements

Current OZ Minerals agreement

During September 2016, the Company announced it had finalized a heads of agreement ("HoA") with OZ Minerals Ltd., an Australian copper-gold producer listed on the Australian Securities Exchange ("OZ Minerals"), to acquire all of OZ Minerals' property holdings in Jamaica which include the 70% interest that OZ Minerals had earned in the Bellas Gate Project (see below) and five licenses covering 276 square kilometres which OZ Minerals had acquired directly in 2014. Additionally, the Company will retain a 100% interest in the Above Rocks project as OZ Minerals elected not to proceed with the joint venture earn-in (see below). A definitive legal agreement incorporating the terms of the HoA was concluded in January 2017.

Under the terms of the definitive agreement, to acquire the 70% interest in the Bellas Gate Project the Company will: (i) pay OZ Minerals \$8.5 million within one year of commencement of commercial production at Bellas Gate; (ii) pay OZ Minerals an additional \$4 million within two years of commencement of commercial production; and, (iii) grant OZ Minerals a 2% NSR royalty with a buyback right of two-thirds of the NSR for \$1.3 million with any NSR royalty payments capped at a maximum amount of \$20 million.

Additionally, to acquire a 100% interest in the five OZ Minerals licenses, the Company will pay OZ Minerals \$1.5 million within one year of commencement of commercial production on any of the five licenses. These licenses are subject to a 2% NSR with a buyback of one-half of the NSR for \$1 million.

Preceding OZ Minerals agreements

During May 2013, the Company entered into a term sheet with OZ Minerals that lead to a farm-in joint venture agreement relating to the Bellas Gate Project which consists of the Bellas Gate and Browns Hall Special Exclusive Prospecting Licenses (SEPLs) which total 84 sq. km. in area.

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The term sheet provided that upon certain conditions being met, that OZ Minerals and the Company would enter into an agreement which would potentially lead to a joint venture with respect to the Bellas Gate Project and the Company would grant OZ Minerals a right to enter into separate agreements on each of the Company's other projects in Jamaica (which comprise the other four SEPLs, excluding the Bellas Gate Project SEPLs). OZ Minerals agreed to make a US\$900,000 equity investment in the Company, which was completed during January 2014, when OZ Minerals confirmed the satisfactory completion of their due diligence and that any conditions precedent had been satisfied such that the terms of the May 2013 term sheet became binding on OZ Minerals and the Company. A definitive agreement incorporating the terms contained in the term sheet and other conditions that are customary for mining exploration project joint venture agreements was completed during May 2015.

Significant terms of the definitive agreement included an initial phase of work by OZ Minerals for \$500,000 of exploration expenditures. In total, to earn a 70% interest in the Bellas Gate Project, OZ Minerals was required to spend \$6.5 million on exploration and make cash payments to the Company of \$475,000 over a maximum period of 3.5 years. During January 2016, the Company announced that OZ Minerals had incurred cumulative exploration expenditures in excess of \$8.3 million and had fulfilled the Phase 4 earn-in requirements to have a vested 70% interest in the Bellas Gate Project. OZ Minerals was then able to earn a further 10% interest by financing all work to the end of a feasibility study. This Phase 5 of the earn-in was initiated during February 2016.

Additionally, OZ Minerals was provided the option to fly airborne geophysics over the Company's other three Jamaican projects (comprised of four SEPLs, see *Rodinia Jamaica property licenses* below) in return for the right to enter into joint ventures on any or all of the projects. OZ Minerals completed the airborne geophysics during June 2015. During September 2015, the Company and OZ Minerals entered into a definitive agreement with respect to the earn-in and potential joint venture on the Above Rocks Project. OZ Minerals did not elect to proceed with joint ventures on the Hungry Gully and Main Ridge Projects.

The Bellas Gate Project is subject to a 2% net smelter royalty (NSR) in favour of Clarendon Consolidated Minerals Ltd. ("CCM").

OZ Minerals project funding

As at February 28, 2017, OZ Minerals had advanced total exploration funding of \$5,592,936 directly to the Company to fund joint venture earn-in expenditures in addition to funds they had expended directly. Of this total, \$5,574,352 had been utilized for exploration work expenditures, \$50,613 remained in restricted cash and \$32,029 was in accounts payable. The net working capital items related to OZ Minerals' funding of \$18,584 have been

Rodinia Jamaica property licenses

Acquisition of Rodinia Jamaica Limited

On March 31, 2012, the Company completed the acquisition of a 100% interest in Rodinia Jamaica Limited ("RJL") from Tigers Realm Metals Pty Limited ("TRM") and Rodinia Resources Pty Limited ("Rodinia"). At the time of the acquisition TRM held a non-controlling equity interest in the Company. RJL holds a 100% interest in four SEPLs in Jamaica which are known as Belvedere, Hungry Gully, Main Ridge and Mount Royal and total 184 sq. km. in area. The Belvedere and Mount Royal SEPLs are contiguous and are considered one project area known as Above Rocks. Rodinia retains a 2% NSR in respect of the four SEPLs. The acquisition agreement for the SEPLs included certain commitments to conduct exploration work on the SEPLs within specified time periods as amended during December 2013. A series of common share issuances were completed during calendar 2014 and 2015 in lieu of completing the exploration work commitments within specified time periods. No further commitments remain.

OZ Minerals definitive agreement

During September 2015, the Company entered into a definitive agreement with OZ Minerals related to the earn-in and potential joint venture with respect to the Rodinia Jamaica licenses comprising three separate projects. Terms of the agreement are as follows.

OZ Minerals had to elect on which projects it wished to earn into before December 20, 2015, and subsequently pay \$50,000 to the Company within 30 days and spend \$500,000 on exploration within one year of the election date to earn a 40% interest in each project elected. OZ Minerals then had a right to earn up to a 70% interest in any one of the three projects, in a staged earn-in, by paying \$275,000 to the Company and solely funding \$6.5 million of exploration expenditures over a period of five years or less. Thereafter, OZ Minerals could have advanced its interest in a project to 80% by solely funding all costs required for the completion of a National Instrument 43-101-compliant, Joint Ore Reserves Committee standard feasibility study.

On December 7, 2015, OZ Minerals provided the Company notice of its election to initiate an earn-in and potential joint venture with respect to the Above Rocks Project (comprising two SEPLs), totalling 104 sq. km. in area. The Company received the initial cash payment of \$50,000 during December 2015. This payment was recorded as a reduction of mineral exploration property costs. OZ Minerals did not elect to proceed with joint ventures on the Hungry Gully and Main Ridge Projects.

During September 2016, OZ Minerals elected not to proceed with the Above Rocks earn-in. The Company retains a 100% interest in each of the four Rodinia SEPLs subject to Rodinia's 2% NSR.

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Fiedmont property option agreement

During September 2010, the Company entered into a property option letter agreement to acquire a potential 100% interest in the Fiedmont property comprised of 54 claims, totalling 23 sq. km. in area, in Fiedmont Township, Quebec. A definitive option agreement was entered into on October 22, 2010. Consideration payable under the terms of the option agreement include: \$170,000 in cash; up to 490,000 common shares; and, exploration expenditures of \$700,000 as follows:

Payable	Cash \$	Common shares	Exploration expenditures \$
Following execution of definitive option agreement (paid Nov. 2010)	10,000	-	-
Upon going public ⁽¹⁾	10,000	90,000	-
First anniversary of going public (paid Sept. 2016)	20,000	90,000	70,000
Second anniversary of going public	30,000	100,000	180,000
Third anniversary of going public	40,000	100,000	200,000
Fourth anniversary of going public	60,000	110,000	250,000
Totals	170,000	490,000	700,000

(1) The number of shares payable upon the Company going public is equal to the greater of: (i) a value of \$25,000 based upon the initial public listing price of the Company's common shares; or (ii) 90,000 common shares. A total of 125,000 common shares were issued.

The Company will act as operator of the property. The Fiedmont property is subject to a 2% NSR retained by the vendors. The Company has the right to purchase up to half of the NSR by paying \$500,000 for each 0.5%. The Company will also have the right of first refusal to purchase the remaining 1% of the NSR. Additionally, the Company was obligated to pay extension fees if it had not completed a going public transaction by certain dates, as follows: (i) \$5,000 by February 18, 2011 for a two month extension (paid); (ii) \$2,000 by April 18, 2011 (paid); and (iii) \$2,000 per month thereafter (paid for the period up to July 2013). Extension fees relating to the period from August 2012 to July 2013 were paid during July 2013. The vendors of the property agreed to waive the monthly extension fees for the period from August 2013 to December 2013. Extension fees payable during calendar 2014 and 2015 amounted to \$34,000 and were settled with the issuance of 170,000 common shares upon completion of the reverse takeover transaction in June 2015.

During September 2016, the Company issued a total of 238,148 common shares to the vendors of the Fiedmont property in satisfaction of both the cash and share obligations due on the first anniversary of going public. These common shares were valued at \$26,434.

As at February 28, 2017, the Company had incurred cumulative exploration expenses of \$188,453 (gross of Quebec exploration tax credits of \$58,378 recorded as a reduction of deferred exploration expenditures during 2012) for the Fiedmont property.

Rogers Creek, Mackenzie and Salal properties

The Rogers Creek, Mackenzie and Salal projects were acquired with the reverse takeover of Miocene. These properties are described as follows.

Rogers Creek

The Rogers Creek property is located within the Coastal Mountain Belt of British Columbia, northeast of Vancouver and consists of 55 claims totalling 253 sq. km. in area. A 2.5% NSR royalty is payable upon production, half of which can be purchased for \$1.25 million.

Mackenzie

The Mackenzie property is located within the Coastal Mountain Belt of British Columbia, north of Vancouver and consists of 50 claims totalling 216 sq. km. in area. The property is subject to a 2% NSR royalty which is payable upon production, 62.5% of which can be purchased at \$1 million adjusted for the Consumer Price Index for the City of Vancouver. The Company has the first right of refusal to purchase the remaining 37.5% of the NSR. Additionally, a 1.5% NSR royalty on the Mackenzie property was granted to Wallbridge Mining Company Ltd. ("Wallbridge") in connection with Miocene's prior line of credit arrangements with Wallbridge. The promissory note payable to Wallbridge is secured through a first charge on the Mackenzie property (see note 6). On March 31, 2016, the maturity date of the promissory note payable to Wallbridge was extended. Consideration provided for this repayment extension included an increase in the NSR granted to Wallbridge to 1.75% and the NSR buyback clause was amended such that the NSR on the Mackenzie and Salal properties can be repurchased provided that the amended promissory note and any accrued interest have been repaid in full, as follows: (i) for \$350,000 at any time on or before December 31, 2017 (the new maturity date); (ii) for \$750,000 during the one-year period following the maturity date; or (iii) for \$1,750,000 at any time thereafter.

Salal

The Salal property consists of 34 claims totalling 124 sq. km. in area and is located within the Coastal Mountain Belt of British Columbia, northeast of Vancouver. Seven mineral claims are subject to a 2% NSR royalty payable upon production, half of which can be purchased for \$500,000. The Company has the first right of refusal to purchase the remaining 50% of the NSR royalty. One claim is subject to a 1.5% NSR royalty payable upon production, half of which can be purchased for \$500,000. Additionally, a 1.5% NSR royalty on the Salal property was granted to Wallbridge in connection with Miocene's prior line of credit arrangements with Wallbridge. The promissory note payable to Wallbridge is secured through a first charge on the Salal property (see note 6). On March 31, 2016, the maturity date of the promissory note payable to Wallbridge was extended. Consideration provided for this repayment extension included an increase in the NSR granted to Wallbridge to 1.75% and the NSR buyback clause was amended such that the NSR on the Mackenzie and Salal properties can be repurchased provided that the amended promissory note and any accrued interest have been repaid in full, as follows: (i) for \$350,000 at any time on or before December 31, 2017 (the new maturity date); (ii) for \$750,000 during the one year period following the maturity date; or (iii) for \$1,750,000 at any time thereafter. A full impairment charge with respect to prior property and exploration costs associated with the Salal property was recorded by Miocene during 2013. No additional expenditures have been incurred since this time.

(expressed in Canadian dollars)

5. Bridge loans payable

During January 2014, the Company completed an offering of convertible promissory notes with six lenders raising proceeds of \$270,000 intended to provide funding of general working capital requirements up until the completion of the Miocene going public transaction. A director of the Company participated in the offering for a bridge loan having a maturity value of \$12,500. The convertible promissory notes had a maturity date of May 15, 2014 or the date on which the Company began trading on the TSX Venture Exchange, whichever was sooner. The promissory notes were issued at a 10% discount to their maturity value of \$300,000 and bear a post maturity date interest rate of 1.5% per month. The promissory notes were convertible, at the option of the holder, into units of the Company prior to the maturity date at a value of \$0.20 per unit with each unit consisting of one common share of the Company and one-half share purchase warrant. Each whole warrant was exercisable to acquire one common share of the Company at \$0.30 for a period of two years. The fair value of the bridge loan debt was determined to be \$201,450 at the time of issuance. A value of \$68,550 relating to the conversion feature was recorded in contributed surplus in shareholders' equity. The balance of bridge loans payable has been accreted to the maturity value with an accretion charge recorded in the consolidated statements of operations.

During May 2014, a total of \$137,500 of the bridge loans were converted into units of the Company resulting in the issuance of 687,500 common shares and 343,750 warrants. During December 2014, principal and interest balances totalling \$24,875 were converted to units of the Company resulting in the issuance of 124,375 common shares and 62,188 warrants. During April 2015, the maturity date with respect to the balance of the bridge loans outstanding was amended to extend to July 15, 2016. During February 2016, the maturity date with respect to the bridge loans was extended, with a principal balance of \$148,000 extended to September 30, 2017 and \$14,500 extended to January 31, 2018. During July 2016, total payments of \$23,000 were made with respect to the bridge loans. Bridge loans are summarized as follows:

	February 28, 2017	August 31, 2016
	\$	\$
Principal value of bridge loans payable, due September 30, 2017	130,000	130,000
Principal value of bridge loan payable, due January 31, 2018	9,500	9,500
Accrued interest	53,774	41,219
	<hr/>	<hr/>
Total principal and interest	193,274	180,719
Less: current portion	(193,274)	-
	<hr/>	<hr/>
Bridge loans payable, non-current	-	180,719

6. Promissory notes payable

During December 2013, the Company settled a total of \$250,000 of demand notes payable and \$150,474 in accrued compensation with officers and a contractor of the Company by the issuance of a total of \$400,474 in promissory notes payable under five agreements. The promissory notes bear interest at a rate of 12% per annum and had an original maturity date of January 31, 2016. During March 2015, the maturity date of these five promissory note agreements was extended to January 31, 2017. During December 2015, principal and accrued interest totalling \$10,000 was paid with respect to one note. During February 2016, the maturity dates with respect to four of these promissory note agreements having a total principal value of \$215,474 were extended to January 31, 2018. The remaining note with a principal value of \$180,000 retains a January 31, 2017 maturity date. During the period from December 2015 to July 2016, principal and accrued interest totalling \$85,951 was paid with respect to certain of these notes. During April 2015, accounts payable of \$8,249 and a demand note payable balance of \$50,000 were settled with the issuance of promissory notes maturing July 15, 2016. These promissory notes bear interest at an annual rate of 12%. During July 2015, the promissory note in the amount of \$8,249 was repaid with cash. During February 2016, the maturity date with respect to the promissory note with a principal balance of \$50,000 was extended to January 31, 2018.

In connection with the Miocene reverse takeover transaction various payables and debts totalling \$571,415 were settled with the issuance of promissory notes to the Company's Chairman, legal counsel and Wallbridge Mining Company Ltd. with principal amounts of \$40,000 (due January 31, 2017), \$95,000 (due December 31, 2016), and \$436,415 (due September 30, 2016), respectively. These promissory notes bear interest at an annual rate of 12%. The promissory note payable to Wallbridge is secured through a first charge on the Mackenzie and Salal properties (see note 4). During February 2016, the maturity date with respect to the promissory note payable to the Company's Chairman (principal balance of \$40,000) was extended to January 31, 2018. On March 31, 2016, the promissory note payable to Wallbridge was amended. The maturity date with respect to the principal balance of \$436,415 and accrued interest of \$41,573 was extended from September 30, 2016 to December 31, 2017 (see note 13). Additionally, the current liability payable to Wallbridge of \$24,914 was included in the amended promissory note agreement. The total of the amended promissory note is \$502,902 and continues to bear interest at 12% per annum. Consideration provided for this extension included an increase in the NSR on the Mackenzie and Salal properties held by Wallbridge in addition to amendments to the terms of the NSR buyback clause (see note 4). During July 2016, an amount of \$20,000 was paid with respect to the note payable to the Company's Chairman.

Promissory notes payable are summarized as follows:

	February 28, 2017	August 31, 2016
	\$	\$
Principal value of promissory note payable, due December 31, 2016 ⁽¹⁾	95,000	95,000
Principal value of promissory note payable, due January 31, 2017 ⁽¹⁾	180,000	180,000
Principal value of promissory note payable, due December 31, 2017 (see note 13)	502,902	502,902
Principal value of promissory notes payable, due January 31, 2018	214,473	214,473
Accrued interest	224,329	165,092
	<hr/>	<hr/>
Total principal and interest	1,216,704	1,157,467
Less: current portion	-	(344,400)
	<hr/>	<hr/>
Promissory notes payable, non-current	1,216,704	813,067

(1) As at February 28, 2017, these promissory notes are past due. See revised terms in note 13.

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(expressed in Canadian dollars)

7. Capital stock

Authorized

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

Issued

During September 2016, the Company issued a total of 238,148 common shares to the vendors of the Fiedmont. These common shares were valued at \$26,434 (see note 4).

Fiscal 2017 financing activity

On January 22, 2017, the Company announced that, subject to TSX-V acceptance, it intended to raise an aggregate of \$1,600,000 by way of a non-brokered private placement of up to 20,000,000 units of the Company at a price of \$0.08 per unit. As at February 28, 2017, the Company had received subscriptions totalling \$1,207,153 which are included in cash at quarter end. The balance of proceeds of \$392,847 was received during March 2017 after quarter end. Each unit will be comprised of one common share of the Company and one half of one common share purchase warrant. Each whole warrant will be exercisable into one common share at a price of \$0.15 per common share for a period of two years from the closing date of the private placement (see note 13).

Fiscal 2016 financing activity

During April 2015, the Company entered into debt settlement agreements for a total of \$103,000 in accounts payable with officers of the Company with the balance owed to related parties to be settled with common shares. These debt settlements were subject to TSX-V approval after public trading of the Company's shares resumed and to disinterested shareholder approval. These approvals were obtained during September 2015. A total of 605,882 common shares were issued in satisfaction of the balance of \$103,000 in accounts payable.

During December 2015, former directors of Miocene renounced a total of 937,500 common shares of the Company which had been issued pursuant to debt settlement agreements in connection with the Miocene reverse takeover transaction. Additionally, a total of \$6,500 in accrued director meeting fees was also renounced. The renounced shares valued at \$187,500 along with the accrued fees have been recorded in the consolidated statements of operations and comprehensive loss as a gain on forgiveness of debt in a total amount of \$194,000.

During December 2015, the Company announced its intention to raise an aggregate of \$440,000 by way of non-brokered private placements of up to 3,000,000 units of the Company at a price of \$0.08 per unit and up to 2,000,000 flow-through common shares of the Company at a price of \$0.10 per flow-through share. Each unit was comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share at a price of \$0.15 per common share for a period of two years from the closing date of the offering. On December 31, 2015, the Company closed a first tranche of \$42,500 in flow-through financing issuing a total of 425,000 flow-through shares. During March 2016, the Company closed \$240,000 of the unit financing issuing a total of 3,000,000 units and a second tranche of \$20,000 in flow-through financing was completed with the issuance of 200,000 flow-through shares.

During June 2016, the Company announced its intention to raise an aggregate of \$500,000 by way of non-brokered private placement of up to 5,000,000 units of the Company at a price of \$0.10 per unit. Each unit was comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share at a price of \$0.15 per common share for a period of two years from the closing date of the offering. This private placement was fully subscribed for and was closed on July 21, 2016. Certain eligible persons were paid a cash commission equal to 7% of the proceeds raised from subscribers introduced to the Company by such finder and the Company also issued an aggregate of 43,671 compensation options. Each compensation option entitles the holder to acquire one unit at a price of \$0.10 for a period of two years from the closing

Warrants

As at February 28, 2017, a total of 13,382,707 warrants were outstanding as follows:

Number	Exercise price \$	Expiry date
1,500,000	0.15	March 21, 2018
2,500,000	0.15	July 20, 2018
775,000	0.25	December 31, 2019
<u>8,607,707</u>	0.30	July 7, 2017
<u>13,382,707</u>	0.25	

During March 2016, a total of 1,500,000 were issued upon the closing of the unit financing. During July 2016, a total of 2,500,000 were issued upon the closing of the unit financing. During February and March of 2016, a total of 330,000 warrants exercisable at \$1.00 expired. During February 2017, a total of 250,000 warrants exercisable at \$0.30 expired.

The fair value of warrants have been estimated using the Black-Scholes option pricing model and this value has been presented as a separate component of shareholders' equity. The range of assumptions used for the valuation of warrants during fiscal 2016 and 2015 are as follows.

	<u>2016</u>	<u>2015</u>
Expected life in years	2.0	0.67 to 4.54
Expected volatility	100%	100%
Risk-free interest rate	0.43% to 0.49%	0.40% to 0.81%
Dividend yield	Nil	Nil

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Compensation options and compensation option warrants

In connection with the June 2016 unit financing, the Company issued an aggregate of 43,671 compensation options to eligible finders. These compensation options are exercisable at \$0.10 per unit to obtain one common share and one-half common share purchase warrant and expire July 20, 2018. A potential total of 21,836 common share purchase warrants are issuable upon exercise of the compensation options. These common share purchase warrants would be exercisable to obtain a common share at \$0.15 per share and would expire July 20, 2018. These compensation options were valued at \$3,320.

In connection with the financings completed concurrently with the Miocene reverse takeover transaction, the Company provided compensation options to agents who referred investors to the Company. A total of 135,000 compensation options were issued. These compensation options are exercisable at \$0.20 per unit to obtain one common share and one-half common share purchase warrant and expire July 7, 2017. A potential total of 67,500 common share purchase warrants are issuable upon exercise of the compensation options. These common share purchase warrants would be exercisable to obtain a common share at \$0.30 per share and would expire July 7, 2017. These compensation options were valued at \$14,100.

The fair value of compensation options has been estimated using the Black-Scholes option pricing model and these values have been recorded in contributed surplus and share issue costs reducing capital stock. The assumptions used for the valuation of compensation options are as follows: expected life of two years; expected volatility 100%; risk-free interest rates ranging from 0.40% to 0.49%; and, dividend yield of nil.

Stock options

During October 2010, the Company approved a stock option plan available to its employees, officers, directors and service providers. The number of options available under the plan is a maximum of 10% of the total number of issued and outstanding common shares. The Compensation Committee recommends to the Board the vesting period and exercise rights for each stock option granted.

Activity with respect to stock options is as follows:

	Number	Weighted-average exercise price \$	Expiry
Balance, August 31, 2015	481,500	0.80	January 2016 to August 2017
Expired	(70,000)	2.25	January 2016
Granted	<u>4,150,000</u>	0.08	February 2021
Balance, August 31, 2016 and February 28, 2017	<u>4,561,500</u>	0.12	March 2017 to February 2021

As at February 28, 2017 outstanding stock options are as follows:

Exercise price \$	Options outstanding		Options exercisable		Expiry
	Number of options	Weighted-average remaining contractual life (years)	Number of options	Weighted-average remaining contractual life (years)	
0.08	4,150,000	4.00	4,150,000	4.00	February 28, 2021
0.30	300,000	0.38	300,000	0.38	July 16, 2017
1.00	10,000	0.42	10,000	0.42	August 6, 2017
1.25	<u>101,500</u>	0.04	<u>101,500</u>	0.04	March 13, 2017
	<u>4,561,500</u>	3.67	<u>4,561,500</u>	3.67	

On February 29, 2016, the Company's board of directors approved the grant of a total of 4,150,000 stock options to officers, directors and consultants of the Company. These stock options are exercisable at \$0.08 per share and expire on February 28, 2021. These stock options vested as follows: 50% on August 29, 2016 and 50% on February 28, 2017.

During the six month period ended February 28, 2017, the Company recorded a total of \$49,725 (2016 - \$8,645) in share based compensation expense related to stock options. Share based compensation amounts are included in shareholders' equity as contributed surplus. The values determined using the Black-Scholes option pricing model, with respect to stock options granted during 2016 and 2015, utilized the following assumptions and values.

	<u>2016</u>	<u>2015</u>
Expected volatility	100%	100%
Expected option life (in years)	5.0	0.57 to 2.14
Risk-free interest rate	0.42%	0.40% to 0.58%
Expected dividend yield	Nil	Nil
Weighted-average exercise price	0.08	0.80
Weighted-average market price at grant date	0.067	0.14
Weighted-average fair value	0.048	0.03

The Company determines expected volatility in relation to both historical Company volatility and by analysis of comparable companies in the mineral exploration sector.

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Restricted share unit / Deferred share unit plan ("RSU / DSU Plan")

On June 13, 2013, Company shareholders adopted a RSU/DSU Plan. The Plan provides for granting of RSUs and DSUs for the purpose of advancing the interests of the Company through motivation, attraction and retention of employees, consultants and non-employee directors by granting equity-based compensation incentives, in addition to the Company's stock option plan. The number of shares reserved for issuance for the RSU/DSU Plan and the stock option plan combined shall not exceed 20% of the issued and outstanding common shares on the date of adoption. Under the RSU/DSU Plan, no cash settlements are made as settlement is in common shares only. On June 23, 2016, shareholders of the Company approved an increase in the number of common shares reserved for the RSU/DSU Plan to 6,488,000. Under the terms of the RSU/DSU Plan, the number of common shares issued and issuable to insiders within a one-year period shall not exceed 10% of the issued and outstanding common shares; and, to any one insider within one year shall not exceed 5% of the issued and outstanding common shares. The maximum grant within a one-year period to any one participant shall not exceed 5% of the total issued and outstanding common shares.

Restricted share units

RSUs are used to compensate participants for their individual performance based achievements and corporate performance, and they are intended to supplement stock option awards. The Company's Compensation Committee may determine the vesting schedule of RSUs at the time of grant. The settlement date shall be no later than the third anniversary of the date of grant and all payments in respect of the vested units shall be paid in full before the end of the same calendar year. Non-vested RSUs are forfeited if the participant voluntarily leaves employment with the Company. On exercise of RSUs, the shares are issued from treasury.

As at February 29, 2017, a total of 2,283,830 RSUs had been granted to officers and a consultant of the Company. These RSUs vest ratably over the one year period following the date of grant. The total value of these RSUs will be recorded as share based compensation expense in contributed surplus over the vesting period. During the six month period ended February 28, 2017, a total of \$91,592 (2016 - \$Nil) was recorded in share based compensation expense related to RSUs.

Deferred share units

DSUs are used as a means of reducing the cash payable by the Company for amounts owing to non-employee directors. A DSU is a notional share that has the same value as one share of the Company as at the grant date. DSUs are paid out to directors as common shares when they retire from the Board. As DSUs are equity settled, they are fair valued based on the market value of the shares at the grant date.

During the six month period ended February 28, 2017, a value of \$38,750 (2016 - \$41,375) was recorded in stock based compensation expense and in contributed surplus related to DSUs. During the year ended August 31, 2016, a total of \$82,500 was recorded in stock based compensation expense and in contributed surplus for director fees related to fiscal 2016. On October 31, 2016, 889,087 DSUs were granted in satisfaction of these fiscal 2016 director fees. On February 29, 2016, a total of 544,423 DSUs valued at \$98,250 were granted to directors of the Company as settlement for director fees related to the period from June 2014 to August 2015. Of that total, an amount of \$75,500 was assumed as a liability in connection with the Miocene reverse takeover and \$22,750 was recorded in stock based compensation expense following the reverse takeover. These DSUs are recorded in contributed surplus and will be settled in the future with the issuance of common shares when directors retire from the Board.

8. Commitment for qualifying flow-through expenditures / Flow-through premium liability

During April and December 2015, the Company closed flow-through financing rounds for proceeds of \$95,000 and \$42,500, respectively. The Company renounced these expenditures to subscribers effective December 31, 2015. The Company had incurred these qualifying exploration expenditures during calendar 2016.

During March 2016, the Company closed a round of flow-through financing for total proceeds of \$20,000. The Company has until December 31, 2017 to incur the balance of these qualifying expenditures.

Common shares issued on a flow-through basis typically include a premium over the market price of the Company's common shares that is associated with the tax benefits of the flow-through share. The Company estimates the proportion of proceeds attributable to the flow-through premium as the excess of the subscription price over the market value of the shares and records this value as a liability at issuance. A total amount of \$20,313 was recorded as a flow-through premium liability with respect to the flow-through financings closed during March 2016 and December 2015. As qualified expenditures are incurred, the Company recognizes a pro-rata reduction of the flow-through premium liability as other income in the consolidated statements of operations and comprehensive loss. During the six month period ended February 28, 2017, a reduction in the flow-through premium liability of \$13,781 was recorded in other income.

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9. Related party transactions and compensation of key management

The Company has contracts for management and geological services with its officers, directors and companies controlled by its officers and directors. Key management includes all persons named or performing the duties of Chief Executive Officer and President, Chief Financial Officer, Vice-President and Director. Compensation awarded to key management has been recorded at the exchange amount, being the amount agreed to by the respective parties, and is with respect to short-term compensation and was conducted in the normal course of business. Amounts are summarized as follows:

	Three months ended February 28, 2017 \$	Three months ended February 29, 2016 \$	Six months ended February 28, 2017 \$	Six months ended February 29, 2016 \$
Chief Executive Officer and President service contract fees	18,000	18,000	36,000	36,000
Executive Vice-President Corporate Development service contract fees	21,000	21,000	42,000	42,000
Chief Financial Officer service contract fees	12,758	25,785	32,805	62,009
Value of RSUs with officers expensed	53,692	-	91,592	-
Value of stock options with officers and directors expensed	14,977	-	29,954	-
Director board meeting and committee fees	21,125	21,250	38,750	41,375
	<u>141,552</u>	<u>86,035</u>	<u>271,101</u>	<u>181,384</u>

As at February 28, 2017, a total of \$54,613 (August 31, 2016 - \$Nil) is included in accounts payable and accrued liabilities with respect to amounts due to key executive management for service contract obligations.

In addition to the above, Rampton Resource Group ("RRG"), a corporation controlled by a Company officer and director, has also charged the Company for shared services related to accounting, an office administrator, office rent and related office expenses in the amount of \$58,830 (2016 - \$50,533) during the six month period ended February 28, 2017. Office rent of \$5,850 (2016 - \$5,850) included in that total is in accordance with a rental agreement between RRG and an independent director of the Company. As at February 28, 2017, a total of \$10,265 (August 31, 2016 - \$Nil) is included in accounts payable and accrued liabilities with respect to amounts due to RRG for accounting and office costs.

Certain management service contracts include potential entitlements for restricted share unit grants in addition to cash compensation (see note 7).

During July 2015, the Board approved a decision that all director fees would be settled by the issuance of DSUs.

The Company has management service agreements with each of the Chief Executive Officer and President, Chief Financial Officer and one senior manager which provide for a payment upon termination without cause. These payments are equivalent to 18 months' compensation for each of these three individuals. The service agreements also provide that, should a change in control event occur that each of these individuals would be entitled to a lump sum payment equivalent to 24 months' compensation irrespective of whether their services were retained subsequent to the change in control. In the event of a change of control, the Executive Vice-President Corporate Development is entitled to a lump sum payment equivalent to 24 months' compensation reduced by the number of months of service provided after September 1, 2015.

10. Financial instruments and risk management

As at February 28, 2017, the Company's financial instruments include cash and cash equivalents, accounts payable and accrued liabilities and the OZ Minerals Ltd. exploration advance. Due to the short-term nature of these financial instruments the carrying values approximate their fair values. Other financial instruments include bridge loans payable and promissory notes payable which have carrying values approximating fair value as they are carried at cost plus accrued interest and stated interest rates approximate current market rates that would be obtained for instruments with similar terms and maturity dates.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, currency risk and interest rate risk. The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements; they should be read in conjunction with the Company's annual financial statements as at August 31, 2016. There have been no changes in the Company's risk management policies or procedures since the year end.

11. Segmented information

The Company's operations comprise one reportable segment being the exploration and development of mineral resource properties. The Company's corporate and administrative offices are in Ontario, Canada. The Company's exploration property assets are in Jamaica, British Columbia, Canada and Quebec, Canada. Long-term assets by geographic area are as follows:

	February 28, 2017			August 31, 2016		
	Equipment	Mineral exploration properties	Deferred exploration expenditures	Equipment	Mineral exploration properties	Deferred exploration expenditures
	\$	\$	\$	\$	\$	\$
Canada	9,577	3,483,701	426,570	10,848	3,452,262	382,486
Jamaica	8,164	3,723,632	3,135,697	9,183	3,723,935	3,008,502
	<u>17,741</u>	<u>7,207,333</u>	<u>3,562,267</u>	<u>20,031</u>	<u>7,176,197</u>	<u>3,390,988</u>

(expressed in Canadian dollars)

12. Supplemental cash flow information

Non-cash transactions not reflected in the consolidated statements of cash flows are as follows:

	Six months ended February 28, 2017 \$	Six months ended February 29, 2016 \$
Mineral exploration property costs included in accounts payable and accrued liabilities	500	25
Exploration expenditures included in accounts payable and accrued liabilities	136,366	5,192
Depreciation of field vehicles charged to exploration expenditures	1,019	1,499
Accounts payable and accrued liabilities settled with common shares in debt settlement agreements	-	103,000
Interest accrued on bridge loans and promissory notes	71,793	75,744
Shares issued for property payment	26,434	-

13. Subsequent events

Private placement financing

On March 2, 2017, the Company closed a non-brokered private placement financing raising gross proceeds of \$1,600,000 with the issuance of 20,000,000 units at a price of \$0.08 per unit. As at February 28, 2017, the Company had received subscriptions totalling \$1,207,153 which are included in cash at quarter end. The balance of proceeds of \$392,847 was received during March 2017 after quarter end. Each unit is comprised of one common share of the Company and one half of one common share purchase warrant. Each whole warrant is exercisable into one common share at a price of \$0.15 per common share and has a two year term to expiry on March 3, 2019. In connection with the financing, eligible finders were paid cash commissions of \$1,890 and were issued 23,625 compensation options. Each compensation option is exercisable for a unit (having the same attributes as above) at \$0.08 per unit until its expiry on March 3, 2019.

Amendment of promissory note agreement with Wallbridge Mining Company Ltd.

On March 8, 2017, the Company paid a total of \$64,936 to Wallbridge in payment of the outstanding interest on the promissory note and an outstanding account payable balance as at February 28, 2017. On March 14, 2017, the Company amended the promissory note with Wallbridge to extend the repayment date from December 31, 2017 to December 31, 2019. In consideration for the extension of the repayment date Wallbridge has been granted a pre-emptive right with respect to any future financings of the Company in order to maintain at all times a 15.5% equity interest in the Company's outstanding common shares. Wallbridge has also been given the right to convert any of the remaining promissory note indebtedness, at any time, into common shares of the Company at a price equal to the 4-day volume weighted average price.

Amendment of \$180,000 promissory note

On April 28, 2017, the Company entered into a Promissory Note Extension Agreement with respect to the \$180,000 principal value note and accrued interest of \$70,057 (interest accrued to April 30, 2017) which was previously due on January 31, 2017. Under the terms of this agreement a partial cash payment of \$100,057 (comprised of \$30,000 of principal and all accrued interest) is due on or before May 30, 2017. The balance of \$150,000 in principal is due on January 30, 2018 and remains subject to 12% interest per annum. In the event that the Company proposes an offering of its common shares or securities convertible into common shares to raise funds for the Company on or before January 30, 2018, the promissory note holder retains a right to subscribe for such offered securities having a value of up to \$150,000.

Amendment of \$95,000 promissory note

On April 30, 2017, the Company entered into an amended agreement with respect to the \$95,000 principal value note and accrued interest of \$21,270 which was previously due on December 31, 2016. Under the terms of this agreement, the promissory note holder agreed to accept 500,000 common shares of the Company valued at \$60,000 as partial payment which remains subject to TSX-V acceptance anticipated during May 2017. The balance due of \$56,270 is due December 15, 2017 and remains subject to 12% interest per annum.

Grant of RSUs

On March 20, 2017, the Company granted 439,700 RSUs to officers and consultants valued at \$0.09 per RSU. These RSUs vest in March 2018.