GGL RESOURCES CORP.

# CONSOLIDATED FINANCIAL STATEMENTS

# FOR THE YEARS ENDED

# NOVEMBER 30, 2016 AND 2015

(Expressed in Canadian Dollars)

**Index**

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# Independent Auditor's Report

To the Shareholders of GGL Resources Corp.

We have audited the accompanying consolidated financial statements of GGL Resources Corp., which comprise the consolidated statements of financial position as at November 30, 2016 and November 30, 2015, and the consolidated statements of comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years ended November 30, 2016 and November 30, 2015, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

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

## Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of GGL Resources Corp. as at November 30, 2016 and November 30, 2015, and its financial performance and its cash flows for the years ended November 30, 2016 and November 30, 2015 in accordance with International Financial Reporting Standards.

## Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about GGL Resources Corp.'s ability to continue as a going concern.

*"D&H GROUP LLP"*

Chartered Professional Accountants

Vancouver, B.C.
March 27, 2017

## GGL RESOURCES CORP.

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

| | | November 30, 2016 | | November 30, 2015 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current** | | | | |
| Cash and cash equivalents (Notes 4 and 8(d)) | $ | 53,528 | $ | 33,591 |
| Amounts receivable (Note 5) | | 17,359 | | 12,746 |
| Prepaid expenses | | 9,932 | | 12,375 |
| **Total Current Assets** | | 80,819 | | 58,712 |
| **Investment** (Note 6) | | 1 | | 25,000 |
| **Exploration and Evaluation Assets** (Note 8) | | 2,008,737 | | 1,994,380 |
| **Property and Equipment** (Note 9) | | 41,371 | | 51,714 |
| | $ | 2,130,928 | $ | 2,129,806 |
| **LIABILITIES** | | | | |
| **Current** | | | | |
| Accounts payable and accrued liabilities (Note 7) | $ | 92,290 | $ | 91,159 |
| Consulting fees payable (Note 12) | | 275,005 | | 276,034 |
| **Total Liabilities** | | 367,295 | | 367,193 |
| **SHAREHOLDERS' EQUITY** | | | | |
| **Share Capital** (Note 10) | | 35,983,666 | | 35,983,666 |
| **Share-based Payments Reserve** | | 4,258,224 | | 4,258,224 |
| **Accumulated Other Comprehensive Income** | | (24,999) | | - |
| **Deficit** | | (38,453,258) | | (38,479,277) |
| **Total Shareholders' Equity** | | 1,763,633 | | 1,762,613 |
| | $ | 2,130,928 | $ | 2,129,806 |

Nature of Operations and Going Concern (Note 1)
Event After the Reporting Period (Note 18)

**On behalf of the Board:**

*"J. Graham Eacott"* *"Nick DeMare"*

J. Graham Eacott, Director Nick DeMare, Director

Date of Board of Directors approval for issue: March 27, 2017

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

## GGL RESOURCES CORP.

Consolidated Statements of Comprehensive Loss
Years ended November 30, 2016 and 2015
(Expressed in Canadian Dollars)

| | 2016 | 2015 |
|---|---|---|
| **Expenses** | | |
| Consulting fees | $ - | $ 25,000 |
| Depreciation | 141 | 176 |
| Exploration costs - general | 12,031 | 19,338 |
| Legal and audit | 13,779 | 12,672 |
| Licenses, taxes, insurance and fees | 22,015 | 21,318 |
| Office services and expenses | 25,777 | 61,225 |
| Shareholders' meetings and reports | 12,928 | 622 |
| Stock-based compensation | - | 29,355 |
| Travel | - | 627 |
| **Operating loss** | (86,671) | (170,333) |
| **Other income (loss)** | | |
| Interest income | 526 | 506 |
| Interest expense | (2,313) | (943) |
| Forgiveness of debt | - | 399,085 |
| Sale of exploration and evaluation assets | 177,576 | - |
| Write-off of exploration and evaluation assets (Notes 8(c) and (d)) | (63,099) | (239,120) |
| Write-off of property and equipment | - | (8,560) |
| | 112,690 | 150,968 |
| **Income (loss) for the year before income taxes** | 26,019 | (19,365) |
| **Other Comprehensive loss** | (24,999) | - |
| **Net income (loss) and comprehensive loss for the year** | 1,020 | (19,365) |
| **Loss per share** - basic and diluted | $ 0.000 | $ (0.001) |
| **Weighted average number of common shares outstanding** - basic and diluted | 35,484,738 | 33,271,724 |

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

# GGL RESOURCES CORP.

Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

| | Share Capital | | Share-based Payments Reserve | Accumulated Other Comprehensive Income | Deficit | Shareholders' Equity |
|---|---|---|---|---|---|---|
| | # of Shares | Amount ($) | | | | |
| **Balance November 30, 2014 (Note 10)** | **33,234,738** | **$ 35,951,456** | **$ 4,217,619** | **$ -** | **$(38,459,912)** | **$ 1,709,163** |
| Shares issued for cash - private placement | 2,250,000 | 33,750 | - | - <br> - | - | 33,750 |
| Warrants | - | - | 11,250 | - | - | 11,250 |
| Share issue costs | - | (1,540) | - | - | - | (1,540) |
| Stock-based compensation | - | - | 29,355 | - | - | 29,355 |
| Net loss | - | - | - | - <br> - | (19,365) | (19,365) |
| **Balance November 30, 2015 (Note 10)** | **35,484,738** | **$ 35,983,666** | **$ 4,258,224** | **$ -** | **$(38,479,277)** | **$ 1,762,613** |
| Net income (loss) | - | - | - | (24,999) | 26,019 | 1,020 |
| **Balance November 30, 2016 (Note 10)** | **35,484,738** | **$ 35,983,666** | **$ 4,258,224** | **$ (24,999)** | **$(38,453,258)** | **$1,763,633** |

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

**GGL RESOURCES CORP.**
Consolidated Statements of Cash Flows
Years ended November 30, 2016 and 2015
(Expressed in Canadian Dollars)

| | 2016 | 2015 |
|---|---|---|
| **Cash flows from (used in) operating activities** | | |
| Net income (loss) for the year | $ 26,019 | $ (19,365) |
| Adjustment for items not involving cash: | | , |
| Depreciation of equipment | 141 | 176 |
| Depreciation of exploration equipment | 10,202 | 12,752 |
| Forgiveness of debt | - | (399,085) |
| Stock-based compensation | - | 29,355 |
| Write-off of exploration and evaluation assets | 63,099 | 239,120 |
| Write-off of property and equipment | - | 8,560 |
| | 99,461 | (128,487) |
| Change in non-cash working capital items: | | |
| Amounts receivable | (4,613) | 356,636 |
| Prepaid expenses | 2,443 | 2,807 |
| Accounts payable and accrued liabilities | (5,803) | (190,862) |
| | 91,488 | 40,094 |
| **Cash flows from (used in) financing activities** | | |
| Advances on bridge loan | 62,000 | - |
| Repayments on bridge loan | (62,000) | - |
| Shares issued for cash | - | 45,000 |
| Share issuance costs | - | (1,540) |
| | - | 43,460 |
| **Cash flows from (used in) investing activities** | | |
| Expenditures on exploration and evaluation assets | (71,551) | (88,669) |
| **Increase (decrease) in cash and cash equivalents** | 19,937 | (5,115) |
| **Cash and cash equivalents,** beginning of year | 33,591 | 38,706 |
| **Cash and cash equivalents,** end of year | $ 53,528 | $ 33,591 |

See Note 16 Supplementary Cash Flow Information.

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

## 1. Nature of Operations and Going Concern

GGL Resources Corp. ("the Company") was incorporated on May 25, 1981 under the provisions of the Company Act (British Columbia). The Company is listed on the TSX Venture Exchange, (Tier 2) under the symbol "GGL". The Company's current mailing address is c/o #1305, 1090 West Georgia Street, Vancouver, BC V6E 3V7. The Company's records office and registered address is DLA Piper (Canada) LLP (formerly, Davis LLP), 666 Burrard Street, Vancouver, BC, V6C 2Z7, Canada.

The Company is in the exploration stage and, on the basis of information to date, does not yet have economically recoverable reserves. The underlying value of the exploration and evaluation assets and related deferred costs are entirely dependent upon the existence of such reserves, the ability of the Company to obtain the necessary financing to develop the reserves and upon future profitable production.

As at November 30, 2016, the Company has a working capital deficiency of $286,476 (2015 - $308,481) and a deficit of $38,453,258 (2015 - $38,479,277).

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business operations for the foreseeable future. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to develop properties and to establish future profitable production. To date the Company has not consistently earned any revenues and is considered to be in the exploration stage. The Company's operations are funded from equity financings which are dependent upon many external factors and it may be difficult to impossible to secure or raise additional funds when required. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

The Company will continue to require additional funding to maintain its ongoing exploration programs, property maintenance payments and operations and administration for the next fiscal year. The Company also recognizes that exploration expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing. In light of the Company's history of negative cash flows from operating activities, operating losses incurred in the past years and a working capital deficiency, the Company's ability to continue its exploration programs is dependent on its ability to secure additional financing. The Company intends to continue its exploration programs. Management is actively pursuing such additional sources of financing. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

## 2. Basis of Preparation

*Statement of Compliance with International Financial Reporting Standards*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Those accounting policies are based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that are in effect for November 30, 2016. The policies set out below were consistently applied to all the periods presented.

**2. Basis of Preparation**, continued

*Basis of Presentation*

The Company's consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

**3. Significant Accounting Policies**

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its 86.8% owned subsidiary Rio Sonora Resources Ltd. ("Rio Sonora") and its wholly-owned U.S. subsidiary, Gerle Gold (U.S.) Inc. ("Gerle Gold"). Both Rio Sonora and Gerle Gold are presently inactive. All inter-company transactions and balances have been eliminated.

(b) Critical Judgments and Sources of Estimation Uncertainty

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

**3. Significant Accounting Policies**, continued

(b) Critical Judgments and Sources of Estimation Uncertainty, continued

*Critical Judgments*

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

(i) The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management.

(ii) Management is required to assess impairment in respect of intangible exploration and evaluation assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgements on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a small proportion of projects are ultimately successful and some assets are likely to become impaired in future periods. At November 30, 2016, the Company wrote off exploration and evaluation deferred costs of $63,099 (2015 - $239,120) associated with claims which expired during the year. At November 30, 2016 and 2015, management has determined no impairment indicators were present with respect to the Company's exploration and evaluation assets held at year end.

(iii) Although the Company takes steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

*Estimation Uncertainty*

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

(i) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxation authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

**3. Significant Accounting Policies**, continued

(b) Critical Judgments and Sources of Estimation Uncertainty, continued

*Estimation Uncertainty*, continued

ii) Depreciation expenses are allocated based on assumed asset lives and depreciation rates. Should the asset life or depreciation rate differ from the initial estimate, an adjustment would be made in the consolidated statements of loss and comprehensive loss.

iv) The estimated fair value of the available for sale investment.

(c) Exploration and Evaluation Assets

The cost of exploration and evaluation assets and the related exploration costs are deferred until the properties to which they relate are placed into production, sold or abandoned. These costs will be amortized using the units of production method following the commencement of production or written off if the properties are sold or abandoned. Management reviews the carrying values of exploration and evaluation assets with a view of assessing whether there has been any impairment of value. When it is determined that an exploration and evaluation asset will be abandoned or its carrying value has been impaired, a provision is made for any expected loss on the project or interest.

The amounts shown for exploration and evaluation assets represent costs, less write-offs and impairments incurred to date, and do not necessarily reflect present or future values. The Company recognizes costs recovered on the sale of exploration and evaluation assets against the carrying amount of the exploration and evaluation asset. Any amount in excess of the carrying amount is included in income. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete development of the projects, and on future profitable production or proceeds from the disposition thereof.

Ownership in mineral interests involves certain inherent risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, ownership of its interests are in good standing.

**3. Significant Accounting Policies**, continued

(d) Property Option Agreements

From time to time, the Company may acquire or dispose of exploration and evaluation assets pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are accounted for as payments are made or received. Amounts received under option agreements reduce the carrying amount of the exploration and evaluation assets under option.

(e) Property and Equipment

Property and equipment are carried at cost. Depreciation of the property and equipment is provided over the estimated useful lives of the assets on a declining-balance basis, unless otherwise noted, at the following annual rates:

| | |
|---|---|
| Exploration equipment | 20% |
| Office furniture | 20% |

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statement of comprehensive loss.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized. The useful lives are reviewed annually.

(f) Flow-Through Shares

The resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. The estimated income tax benefits transferred to shareholders are recorded as a future income tax liability and a reduction to share capital at the time of renunciation.

(g) Equity Transactions

The Company issues units in private placements. The Company applies the residual approach to calculate the fair value of the units, which are comprised of common shares and warrants. Under this approach the common shares are valued first and the difference between the gross proceeds and the fair value of the common shares is assigned to the warrants.

**3. Significant Accounting Policies,** continued

(h) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. Diluted loss per share is not separately presented, as the effect of securities exercisable into common shares would reduce the amount presented as loss per share.

(i) Foreign Currency Transactions

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar. Transactions in currencies other than the Canadian dollar are recorded at the rates of exchange prevailing on the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(j) Income Taxes

Income tax expense is comprised of current and deferred tax. Income tax is recognized separately in the statement of comprehensive loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the income tax is also recognized in other comprehensive income or directly in equity, respectively.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The income tax rates and laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date and include any adjustments to income tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is measured at the income tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the financial position reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

3. **Significant Accounting Policies,** continued

(j) Income Taxes, continued

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except when the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities when there is an intention to settle the balances on a net basis.

(k) Share-based Payments Reserve

The fair value of stock options and share purchase warrants issued as compensation is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, forfeiture rates, current market price of the underlying shares and volatility factors of the expected market price of the Company's common shares and the expected life of the options. The estimated fair value of awards of share-based payments is charged to expense as awards vest, with offsetting amounts recognized as share-based payments reserve. The fair value of direct awards of common shares is determined by the quoted market price of the Company's stock.

(l) Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement obligation is accreted using a systematic and rational method and is adjusted to reflect revisions to timing, the amount of the original estimate, and the current market-based discount rate of the undiscounted cash flow. As at November 30, 2016 and 2015, the Company does not have any asset retirement obligations.

(m) Long-lived Assets Impairment

Long-lived assets are reviewed when changes in circumstances suggest their carrying value has become impaired. An impairment is recorded if the carrying amount exceeds the recoverable amount. Impairments relating to assets other than goodwill can be reversed. If impairment is determined to exist, the assets will be written down to fair value. Fair value is generally determined as the amount that would be obtained from the sale of an asset in an arm's length transaction between two knowledgeable and willing parties.

(n) Financial Instruments

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

**3. Significant Accounting Policies,** continued

(n) Financial Instruments, continued

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive loss. Cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost. Amounts receivable are classified as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The investment is classified as available for sale.

Transaction costs associated with FVTPL are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

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

Financial liabilities classified as other financial liabilities are measured at amortized cost. Accounts payable and accrued liabilities, consulting fees payable and bridge loan payable are classified as other financial liabilities.

Financial liabilities classified as FVTPL are measured at fair value with unrealized gains and losses recognized through comprehensive loss. At November 30, 2016 and 2015, the Company has not classified any financial liabilities as FVTPL.

(o) Accounting Standards Issued but Not Yet Adopted

The following accounting standards have been issued, but are not effective until annual periods beginning on or after January 1, 2018, unless otherwise indicated, earlier application is permitted. As at the date of these consolidated financial statements, the following standards have not been applied in these consolidated financial statements.

i) IFRS 9 *Financial Instruments:* This standard partially replaces IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 measures financial assets, after initial recognition, at either amortized cost or fair value. Existing IAS 39 classifies financial assets into four measurement categories. The standard is effective for annual periods beginning on or after January 1, 2018. In the year of adoption, the Company is required to provide additional disclosures relating to the reclassified financial assets and liabilities.

(Expressed in Canadian Dollars)

**3. Significant Accounting Policies,** continued

ii) IFRS *15 Revenue from contracts with customers:* IFRS 15 is effective for annual periods beginning on or after January 1, 2018. IFRS 15 specifies how and when to recognize revenue as well as requires entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue related interpretations. The new standard will apply to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts.

iii) IFRS *16 Leases*: IFRS 16 is effective for reporting periods beginning on or after January 1, 2019. IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lease accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 22 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor IAS 17.

Management is currently assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.

**4. Cash and cash equivalents**

| | November 30, 2016 | November 30, 2015 |
|---|---|---|
| Cash | $ 53,528 | $ 15,832 |
| Cash reserved for exploration (Note 8(d)) | - | 17,759 |
| | $ 53,528 | $ 33,591 |

**5. Amounts receivable**

| | November 30, 2016 | November 30, 2015 |
|---|---|---|
| Goods and Services/Harmonized sales tax receivable | $ 16,703 | $ 12,433 |
| Other | 656 | 313 |
| | $ 17,359 | $ 12,746 |

**6. Investment**

In 2014 the Company concluded an agreement with Proxima Diamonds Corp. ("Proxima"), an arm's length private corporation in the process of going public, for the sale of a portion of the Company's Diamond database. The Company received $100,000 cash and 500,000 common shares of Proxima. The 500,000 shares were originally recorded at an ascribed value of $0.05 per common share. At November 30, 2016, the Company wrote down the investment to $1. These shares will represent an ownership interest in Proxima of approximately 1%. Note 8(f).

(Expressed in Canadian Dollars)

## 7. Bridge Loan

During the year ended November 30, 2016, the Company negotiated a line of credit from certain shareholders to provide bridge loan funding to pay property tenure costs and other corporate overhead costs. One of the lenders is a private company, the officers of which are the brother and sister of one of the directors of the Company, and this director has guaranteed repayment of the loan provided by this private company. The Company has drawn down on this bridge loan financing in the amount of $62,000 during the year ended November 30, 2016. The bridge loan bears interest at 8% per year and is secured by a general security agreement (GSA). The principal portion of the bridge loan was repaid in 2016 and interest of $1,322 has been accrued in accounts payable. Notes 12 and 18.

## 8. Exploration and Evaluation Assets

| | Balance November 30, 2015 | 2016 Mineral Interests Additions (Recoveries) | 2016 Exploration Cost Additions (Recoveries) | 2016 Written Off | Balance November 30, 2016 |
|---|---|---|---|---|---|
| Doyle Lake | $ 11,964 | $ (6,097)* | $ (5,867)* | $ - | $ - |
| Fishback Lake | 56,352 | - | 1,709 | - | 58,061 |
| CH | 604,772 | - | 51,774 | (32,420) | 624,126 |
| Providence Greenstone Belt | 634,291 | - | 35,937* | (30,679) | 639,549 |
| McConnell Creek | 687,001 | - | - | - | 687,001 |
| | $ 1,994,380 | $ (6,097) | $ 83,553 | $ (63,099) | $ 2,008,737 |

*See Notes 8(a) and (d)

| | Balance November 30, 2015 | 2016 Net Additions | 2016 Written Off | Balance November 30, 2016 |
|---|---|---|---|---|
| Acquisition costs | $ 164,680 | $ (6,097) | $ (3,495) | $ 155,088 |
| Deferred exploration costs | 1,829,700 | 83,553 | (59,604) | 1,853,649 |
| | $ 1,994,380 | $ 77,456 | $ (63,099) | $ 2,008,737 |

(Expressed in Canadian Dollars)

**8. Exploration and Evaluation Assets**, continued

| | Balance November 30, 2014 | 2015 Mineral Interests Additions | 2015 Net Exploration cost additions | 2015 Written Off | Balance November30, 2015 |
|---|---|---|---|---|---|
| Doyle Lake | $ 6,097 | $ - | $ 5,867 | $ - | $ 11,964 |
| Fishback Lake | 54,106 | - | 2,246 | - | 56,352 |
| CH | 550,661 | - | 54,111 | - | 604,772 |
| Providence Greenstone Belt | 860,351 | - | 13,060 | (239,120) | 634,291 |
| McConnell Creek | 687,018 | - | (17) | - | 687,001 |
| | $ 2,158,233 | $ - | $ 75,267 | $(239,120) | $ 1,994,380 |

| | Balance November 30, 2014 | 2015 Net Additions | 2015 Written off | Balance November30, 2015 |
|---|---|---|---|---|
| Acquisition costs | $ 177,094 | $ - | $ (12,414) | $ 164,680 |
| Deferred exploration costs | 1,981,139 | 75,267 | (226,706) | 1,829,700 |
| | $ 2,158,233 | $ 75,267 | $(239,120) | $ 1,994,380 |

Included in exploration and evaluation assets are reclamation bonds held in the name of the Ministry of Energy, Mines and Petroleum Resources of BC and the Receiver General (for Northwest Territories claims) in the amount of $76,400 (2015 - $76,400).

Exploration costs incurred during the years ended November 30, 2016 and 2015 are as follows:

| | 2016 | 2015 |
|---|---|---|
| Aircraft | $ 6,338 | $ - |
| Geophysics | 18,150 | - |
| Licenses, recording fees and lease payments | 75,374 | 70,027 |
| Project supplies | 18 | 523 |
| Salaries and wages | - | 289 |
| Staking | (6,097) | - |
| Technical and professional services | (16,327) | 4,428 |
| | **$ 77,456** | **$ 75,267** |

**8. Exploration and Evaluation Assets,** continued

(a) Doyle Lake, Northwest Territories, Canada

Under the De Beers Agreement ("the Agreement") dated May 25, 1995, De Beers Canada Inc. ("De Beers") earned a 60% interest in the Doyle Lake Properties ("the Properties"), which consist of 5 claims and 3 fractional claims (12,972 acres), by completing exploration expenditures of $4.65 million.

Under an agreement dated November 28, 2014, the May 25, 1995 agreement including amendments was terminated and De Beers purchased the Company's interest in the LA 7 and Extra 2 to 4 claims for $300,000 and returned De Beers' interest in the LA 5, 6, 8 and 9 claims to the Company.

During the year ended November 30, 2016, the Company sold its interest in the remaining four claims and two fractional claims (4,233 hectares) to Kennady Diamonds Inc. for $200,000. The Company will retain a 0.75% royalty interest (the "Royalty") on all mineral products produced from the property. Kennady has the right at any time prior to commencement of production from the property to purchase one-third (1/3) of the Royalty, being 0.25%, for the sum of $1,000,000. The Company recorded the proceeds on sale first as a recovery of carrying costs and recorded a recovery of $22,424 of exploration expenditures and the balance of $177,576 is recorded as a gain on the Statements of Comprehensive Loss.

(b) Fishback Lake, Northwest Territories, Canada

The Company owns one claim (692 hectares) (2015 – 692 hectares). This claim is a mining lease.

(c) CH, Northwest Territories, Canada

The Company owns 34 claims (27,617 hectares) (2015 - 36 claims; 28,936 hectares), north-northeast of Yellowknife, acquired by staking during the years 2000 to 2003. These claims include the Courageous, Starfish, Winterlake North, Winterlake South, BP, Zip and Mill claims. 24 of these claims are leases and 10 claims were surveyed in 2014 and awaiting Mining Recorder approval. Subsequent to year end, leases were received for all 10 claims. Claim size changes are due to actual surveyed acreage versus staked acreage.

During the year ended November 30, 2016, two claims (1,254 hectares) were allowed to lapse and the related costs of $32,420 were written off.

**8. Exploration and Evaluation Assets**, continued

(d) Providence Greenstone Belt, Northwest Territories, Canada

The Company owns 11 claims (7,259 hectares) (2015 - 12 claims; 8,304 hectares) in the Providence Greenstone Belt ("PGB") area of the Northwest Territories. These claims lie within an extensive belt of rocks previously identified by a mapping project funded by the Geological Survey of Canada and reported as having the potential for hosting magmatic nickel mineralization.

In 2015 the Company received a grant of $17,759 from the Government of the Northwest Territories' ("GNWT") Mineral Incentive Program to spend on a pre-approved exploration program by March 31, 2016. The Company was required to finance a part of the program in order to keep the grant or the grant must be returned (Note 4). The Company returned the grant to the GNWT during the current year.

During the year ended November 30, 2016, one claim (1,045 hectares) was allowed to lapse and the related costs of $30,679 were written off. Included in exploration costs for the year ended November 30, 2016 is a refund of $3,746 for extension deposits paid in previous years.

(e) McConnell Creek, British Columbia, Canada

The Company owns 2 mineral claims (4,878 hectares) in the Omineca Mining Division of British Columbia.

(f) Diamond database

Proxima Diamonds Corp. has purchased a portion of the area of the GGL Diamond database in the Northwest Territories of Canada (The "Target Area Database"). Under the terms of the agreement, the Company received cash payments in 2014 totalling $100,000 and 500,000 treasury shares (written down to $1, Note 6) of Proxima (held in escrow, subject to TSXV approval). Proxima had exclusive use of the Target Area Database until November 30, 2014 and non-exclusive use thereafter. The Company shall have the right to select five targets that may be acquired by Proxima as royalty targets. With respect to each royalty target, the Company shall be entitled to receive and Proxima shall pay the Company a 1.5% NSR type royalty from production, subject to Proxima having the right to prior to production to purchase one third of the Royalty for $1,000,000 and a further third (0.5%) for $5,000,000. See Note 6.

(Expressed in Canadian Dollars)

**9. Property and Equipment**

| | | Office Furniture | | Exploration Equipment | | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| Balance as at November 30, 2014 | $ | 58,103 | $ | 450,632 | $ | 508,735 |
| Disposals 2014 | | (40,224) | | (59,787) | | (100,011) |
| Balance as at November 30, 2015 and 2016 | $ | 17,879 | $ | 390,845 | $ | 408,724 |
| **Accumulated Depreciation** | | | | | | |
| Balance as at November 30, 2014 | $ | 51,927 | $ | 383,606 | $ | 435,533 |
| Depreciation | | 232 | | 12,696 | | 12,928 |
| Disposals | | (35,208) | | (56,243) | | (91,451) |
| Balance as at November 30, 2015 | $ | 16,951 | $ | 340,059 | $ | 357,010 |
| Depreciation | | 186 | | 10,157 | | 10,343 |
| Balance as at November 30, 2016 | $ | 17,137 | $ | 350,216 | $ | 367,353 |
| **Carrying Amounts** | | | | | | |
| At November 30, 2014 | $ | 6,176 | $ | 67,026 | $ | 73,202 |
| At November 30, 2015 | $ | 928 | $ | 50,786 | $ | 51,714 |
| At November 30, 2016 | $ | 742 | $ | 40,629 | $ | 41,371 |

During the year ended November 30, 2016, the Company did not write off any old equipment or furniture (2015 - $8,560).

Depreciation is recorded on the Statement of Comprehensive Loss as $141 (2015 - $176) in depreciation and $10,202 (2015 - $12,752) as part of general exploration costs.

(Expressed in Canadian Dollars)

## 10. Share Capital

(a) Authorized: unlimited common shares without par value;

(b) Changes in warrants during the years ended November 30, 2016 and 2015 are as follows:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | Number of warrants | Weighted average exercise price | Number of warrants | Weighted average exercise price |
| Outstanding, beginning of year | 3,355,000 | $0.35 | 2,230,000 | $0.50 |
| Issued | - | - | 1,125,000 | $0.05 |
| Expired | (240,000) | $0.50 | - | - |
| Outstanding, end of year | 3,115,000 | $0.34 | 3,355,000 | $0.35 |

(c) The Company has the following warrants outstanding and exercisable as at November 30, 2016:

| Number of warrants | Exercise Price | Expiry Date |
|---|---|---|
| 480,000 | $0.50 | August 17, 2017 |
| 1,510,000 | $0.50 | May 8, 2018 |
| 1,125,000 | $0.05 | November 25, 2018 |
| **3,115,000** | | |

## 11. Stock Options

In 2006, the Company amended its Stock Option Plan to a 10% rolling plan whereby the Company may grant stock options to purchase up to 10% of the issued capital of the Company at the time of the grant of any option. Under the policies of the TSX Venture Exchange, options granted under the 10% rolling plan will not be required to include the mandatory vesting provisions required by the Exchange for a fixed number stock option plan, except for stock options granted to investor relations consultants which vest over 12 months. Awarded stock options are exercisable over a period not exceeding five years at exercise prices determined by the Board of Directors based on the most recent trading prices and subject to the TSX Venture Exchange policies.

(Expressed in Canadian Dollars)

**11. Stock Options**, continued

Under this plan, the number of shares available for grant increases as the issued capital of the Company increases.

| | # of Options Outstanding | Weighted Average Exercise Price |
|---|---|---|
| **Options outstanding as at November 30, 2014** | **151,000** | **$0.50** |
| 2015 Expired | (151,000) | $0.50 |
| 2015 Grants | 2,250,000 | $0.05 |
| **Options outstanding as at November 30, 2015 and 2016** | **2,250,000** | **$0.05** |

No changes in stock options during 2016.

| | November 30, 2016 | November 30, 2015 |
|---|---|---|
| Weighted average remaining contractual life | 4.01 years | 5 years |
| Weighted average fair value of options granted during the period | N/A | $0.05 |

The following table sets forth information relating to stock options outstanding as at November 30, 2016:

| Number outstanding and exercisable at November 30, 2016 | Exercise price | Expiry Date | Weighted average remaining contractual life (years) |
|---|---|---|---|
| **2,250,000** | $0.05 | November 30, 2020 | 4.01 |

During fiscal 2016, the Company did not grant any stock options (2015 - 2,250,000) or record a stock–based compensation expense (2015 - $29,355).

The fair value of share options granted in 2015 is estimated using the Black-Scholes option pricing model using the following assumptions:

| | **2015** |
|---|---|
| Risk-free interest rate | 0.92% |
| Estimated volatility | 159.64% |
| Expected life | 5 years |
| Expected dividend yield | 0% |
| Estimated forfeiture rate | 0% |

(Expressed in Canadian Dollars)

**11. Stock Options**, continued

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

**12. Related Party Disclosures**

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.

There are debts owing to two former related parties, one being Mr. Ray Hrkac, a former director and a former officer (prior to November 16, 2016) and the other being Mr. Chris Hrkac, the son of Mr. Ray Hrkac, and a consultant who has provided services to the Company. At November 30, 2015, Mr. R. Hrkac agreed to write down the $499,085 debt owed to him to $100,000. The debt to related parties is a current liability and is past due. The debts are non-interest bearing.

See Notes 7 and 18.

| November 30, 2016 | Consulting Fees | Technical and professional services | Consulting Fees Payable | Interest Expense |
|---|---|---|---|---|
| Management | $ - | $ - | $ 100,000 | $ 1,322 |
| Non-management | - | - | 160,525 | - |
| Total | $ - | $ - | $ 260,525 | $ 1,322 |

| November 30, 2015 | Consulting Fees | Technical and professional services | Consulting Fees Payable | Interest Expense |
|---|---|---|---|---|
| Management | $ 25,000 | $ - | $ 100,000 | $ - |
| Non-management | - | 5,915 | 161,554 | - |
| Total | $ 25,000 | $ 5,915 | $ 261,554 | $ - |

The related parties may demand payment of their outstanding fees, which are non-interest bearing.

(Expressed in Canadian Dollars)

## 13. Income Taxes

The recovery of income taxes shown in the consolidated statements of comprehensive loss differ from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

| | November 30, 2016 | November 30, 2015 |
|---|---|---|
| (Income) loss before income taxes | $ (1,020) | $ 19,365 |
| Combined federal and provincial income tax rate | 26% | 26% |
| Expected recovery for income taxes | (265) | 5,035 |
| Non-deductible expenses and other | (19,064) | (68,503) |
| Non-capital loss expiry | (38,521) | (142,361) |
| Recovery of valuation allowance | 57,850 | 205,829 |
| Future income tax recovery | $ - | $ - |

The income tax effects of temporary timing differences and unused tax losses that give rise to significant components of future income tax assets are as follows:

| | November 30, 2016 | November 30, 2015 |
|---|---|---|
| ***Future Income Tax assets*** | | |
| Exploration and evaluation assets | $ 3,833,835 | $ 3,816,966 |
| Property and equipment | 190,739 | 190,309 |
| Non-capital losses carry-forwards | 1,060,824 | 1,133,860 |
| Capital losses | 1,108 | 1,108 |
| Share issue costs | 586 | 1,093 |
| Deferred income tax assets | 5,087,092 | 5,143,336 |
| Valuation allowance | (5,087,092) | (5,143,336) |
| | $ - | $ - |

The Company has non-capital losses for income tax purposes of approximately $4,080,000 (2015- $4,301,000), and cumulative tax pools of approximately $16.7 million (2015 - $16.7 million) for Canadian income tax purposes which are available to reduce Canadian taxable income in future years. The benefit of these non-capital losses has not been recognized in the Company's accounts as it is not probable such benefit will be realized. The non-capital losses expire commencing 2016 through 2035.

(Expressed in Canadian Dollars)

## 14. Segmented Information

The Company is involved in mineral exploration and development activities, which are conducted in Canada. The Company is in the exploration stage and, accordingly, has no reportable segment revenues or operating results for each of the years ended November 30, 2016 and 2015.

## 15. Financial Instruments

The Company classifies all financial instruments as fair value through profit or loss ("FVTPL"), held-to-maturity, loans and receivables, available for sale or other financial liabilities. The carrying values of the Company's financial instruments are classified into the following categories:

Financial instruments – Disclosures

IFRS establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - inputs that are not based on observable market data.

(a) Fair Value

The fair value of financial instruments at November 30, 2016 and 2015 is summarized as follows:

| | November 30, 2016 | | November 30, 2015 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Financial Assets** | | | | |
| *FVTPL* | | | | |
| Cash and cash equivalents | $ 53,528 | $ 53,528 | $ 33,591 | $ 33,591 |
| *Loans and receivables* | | | | |
| Amounts receivable | $ 17,359 | $ 17,359 | $ 12,746 | $ 12,746 |
| *Available for sale* | | | | |
| Investment | $ 1 | $ 1 | $ 25,000 | $ 25,000 |
| **Financial Liabilities** | | | | |
| *Other Financial liabilities* | | | | |
| Accounts payable and accrued liabilities* | $ 92,290 | $ 92,290 | $ 91,159 | $ 91,159 |
| Consulting fees payable** | $ 275,005 | $ 275,005 | $ 276,034 | $ 276,034 |

**15. Financial Instruments**, continued

(a) Fair Value, continued

* Included in accounts payable is $1,322 (2015-$nil) of interest expense owed to related parties (Note 12)
** Included in consulting fees payable is related party costs of $260,525 (2015-$261,554) (Note 12)

The recorded amounts for cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and consulting fees payable approximate their fair value due to their short-term nature. The Company's fair value of cash and cash equivalents under the fair value hierarchy is measured using Level 1 inputs. The fair value of investment is measured using Level 3 inputs.

(b) Financial Risk Management

The Company's activities potentially expose it to a variety of financial risks, including credit risk, foreign exchange (currency) risk and liquidity risk.

*Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash, cash equivalents and amounts receivable. The maximum credit risk represented by the Company's financial assets is represented by their carrying amounts. The Company deposits the majority of its cash with high credit quality financial institutions in Canada.

*Currency risk*

The Company operates in Canada and transacts business with foreign vendors and is therefore exposed to foreign exchange risk arising from transactions denominated in foreign currencies. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risk. Currency risk is not considered significant.

*Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial liabilities. The Company manages liquidity by carefully monitoring its operating requirements.

(Expressed in Canadian Dollars)

## 16. Supplementary Cash Flow Information

Non-cash operating, financing, and investing activities were conducted by the Company during the years ended November 30, 2016 and 2015 as follows:

| | 2016 | 2015 |
|---|---|---|
| Operating activities | | |
| Accounts payable for exploration and evaluation assets | $ 225,328 | $ 219,423 |
| Financing activities | | |
| Advances from related parties for exploration and evaluation assets | $ - | $ - |
| Investing activities | | |
| Additions to exploration and evaluation assets | $ (225,328) | $ (219,423) |

Other supplementary cash flow information:

| | | |
|---|---|---|
| Cash paid/accrued for interest charges | $ 2,313 | $ 943 |

## 17. Management of Capital

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash reserved for exploration.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

In order to maximize ongoing development efforts, the Company does not pay dividends.

## 18. Event After the Reporting Period

Subsequent to November 30, 2016 the Company was advanced $25,342 from one director and a company wholly owned by another director for the payment of property tenure costs and working capital.