

**WESTKAM GOLD CORP.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**July 31, 2017**

**(Expressed in Canadian Dollars)**

## **NOTICE TO READER**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements for the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditors have not performed a review of these unaudited condensed interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**WESTKAM GOLD CORP.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)

	Note	July 31, 2017	Oct. 31, 2016
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 73,683	\$ 83,038
Receivables	3	8,035	155,789
Prepaid expense		32,389	58,846
Exploration advance	5	21,438	21,438
		135,545	319,111
<b>Equipment</b>	4	6,898	8,095
<b>Exploration and evaluation assets</b>	5	14,341,198	14,341,198
<b>Reclamation bonds</b>	5	40,000	40,000
		<b>\$ 14,523,641</b>	<b>\$ 14,708,404</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 458,533	\$ 259,119
<b>Reclamation obligation</b>	5	41,000	41,000
		499,533	300,119
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	52,209,369	51,899,369
Share-based payments reserve	6	402,381	402,381
Share subscriptions receivable	6	(12,500)	(15,000)
Deficit		(38,575,142)	(37,878,465)
		14,024,108	14,408,285
		<b>\$ 14,523,641</b>	<b>\$ 14,708,404</b>

**Nature of Operations and Going Concern (note 1)**

**On behalf of the Board:**

**"Matt Wayrynen" Director**

**"Akash Patel" Director**

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

**WESTKAM GOLD CORP.**  
**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)

		Three months ended July 31		Nine months ended July 31	
	Note	2017	2016	2017	2016
<b>EXPENSES</b>					
Consulting		\$ 75,979	\$ 28,647	\$ 173,708	\$ 107,150
Depreciation		377	469	1,197	1,489
Exploration expenditures (recoveries), net		68,328	175,681	277,230	298,522
Investor relations and shareholder information		4,000	73,715	13,095	81,815
Management fees	7	35,000	55,000	135,000	135,000
Office		17,932	8,623	38,559	18,383
Professional fees		2,500	3,000	31,059	8,500
Regulatory and filing fees		4,406	23,071	25,365	36,605
<b>Operating Loss</b>		<b>\$(208,522)</b>	<b>\$(368,206)</b>	<b>(695,213)</b>	<b>(687,484)</b>
Interest income (expense)		(1,853)	(4,466)	(1,464)	(4,466)
Reversal of flow through premium liability		-	-	-	-
<b>Loss and comprehensive loss for the period</b>		<b>\$(210,375)</b>	<b>\$(372,672)</b>	<b>\$(696,677)</b>	<b>\$ (691,930)</b>
<b>Loss per share (Basic and Diluted)</b>	9	\$ -	\$ -	\$ -	\$ -
<b>Weighted average number of common shares outstanding</b>		199,205,431	149,103,438	183,801,767	129,666,542

The accompanying notes are an integral part of these financial statement.

**WESTKAM GOLD CORP.**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(Expressed in Canadian Dollars)**

	Number of common Shares	Share capital	Subscriptions in Advance	Share Subscriptions Receivable	Share-based payments reserve	Deficit	Total shareholders' equity
<b>Balance, Oct. 31, 2015</b>	<b>100,234,910</b>	<b>\$49,010,976</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$340,548</b>	<b>\$(35,730,949)</b>	<b>\$ 13,620,575</b>
Private placements	83,709,832	2,511,215	-	(99,208)	-	-	2,412,007
Share issuance costs	-	(367,162)	-	-	61,833	-	(305,329)
Exercise of warrants	10,031,300	501,565	100,833	-	-	-	602,398
Loss and comprehensive loss	-	-	-	-	-	(691,930)	(691,930)
<b>Balance, July 31, 2016</b>	<b>176,182,409</b>	<b>\$51,656,594</b>	<b>\$ 100,833</b>	<b>\$ (99,208)</b>	<b>\$ 402,381</b>	<b>\$(36,422,879)</b>	<b>\$ 15,637,721</b>
<b>Balance, Oct. 31, 2016</b>	<b>197,942,707</b>	<b>\$51,899,369</b>	<b>\$ -</b>	<b>\$ (15,000)</b>	<b>\$402,381</b>	<b>\$(37,878,465)</b>	<b>\$ 14,408,285</b>
Share subscriptions receivable	-	-	-	7,500	-	-	7,500
Private placement	15,500,000	310,000	-	(5,000)	-	-	305,000
Loss and comprehensive loss	-	-	-	-	-	(696,677)	(696,677)
<b>Balance, July 31, 2017</b>	<b>213,442,707</b>	<b>\$52,209,369</b>	<b>\$ -</b>	<b>\$ (12,500)</b>	<b>\$402,381</b>	<b>\$(38,575,142)</b>	<b>\$ 14,024,108</b>

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

**WESTKAM GOLD CORP.**  
**STATEMENTS OF CASH FLOWS**  
**(Expressed in Canadian Dollars)**

	Three months ended July 31,		Nine months ended July 31,	
	2017	2016	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) for the period	\$ (210,375)	\$ (372,672)	\$ (696,677)	\$ (691,930)
Items not affecting cash:				
Amortization	377	469	1,197	1,489
Changes in non-cash working capital items				
Decrease (increase) in receivables	(1,110)	(6,637)	147,754	7,099
Decrease (increase) in prepaid expenses	26,457	(377,395)	26,457	(375,757)
Increase (decrease) in accounts payable and accrued liabilities	(73,425)	(45,681)	199,414	(162,517)
Net cash provided by (used in) operating activities	\$ (258,076)	\$ (710,554)	\$ (321,855)	\$ (1,221,616)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issuance of common shares for cash	310,000	1,957,325	310,000	2,692,451
Share subscriptions receivable	(5,000)	(99,208)	2,500	(99,208)
Share subscriptions received	-	100,833	-	100,833
Net cash provided by financing activities	305,000	1,958,950	312,500	2,694,076
<b>CHANGE IN CASH DURING THE PERIOD</b>	46,924	1,248,396	(9,355)	1,472,460
<b>CASH, beginning of period</b>	26,759	289,360	83,038	65,296
<b>CASH, end of period</b>	\$ 73,683	\$1,537,756	\$ 73,683	\$1,537,756

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

**WESTKAM GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the three and nine months ended July 31, 2017**

---

**NOTE 1 - NATURE OF OPERATIONS AND GOING CONCERN**

WestKam Gold Corp. (the "Company") was incorporated October 2, 1982 under the laws and Company Act of British Columbia, Canada, is domiciled in Canada and is a reporting issuer in the provinces of British Columbia and Alberta, Canada. The Company trades on the TSX Venture Exchange under the symbol "WKG". The Company's head and registered offices are located at Suite 900 – 570 Granville Street, Vancouver, BC, V6C 3P1.

These financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and thus be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

The Company has not yet determined whether its exploration and evaluation assets contain economically recoverable reserves. The recovery of amounts comprising the exploration and evaluation assets is dependent upon the confirmation of recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete the exploration and development of these reserves, the potential future profitability of these reserves or alternatively, the disposition, on an advantageous basis, of the Company's interests in the exploration and evaluation assets. The Company continues to incur losses and will require additional financing for the upcoming year. These material uncertainties may cast significant doubt regarding the Company's ability to continue as a going concern.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

**a) Statement of compliance:**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). The condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended October 31, 2016.

The financial statements were authorized by the Board of Directors of the Company on September 28, 2017.

**b) Basis of presentation:**

The financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in below. In addition, the financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**WESTKAM GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the three and nine months ended July 31, 2017**

---

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**c) New standards, amendments and interpretations not yet effective:**

A number of new standards, amendments to standards, and interpretations are not yet effective and have not been applied in preparing these condensed interim financial statements. None of these is expected to have a material effect on the financial statements of the Company.

**Effective for annual periods beginning on or after January 1, 2018:**

IFRS 9, Financial Instruments – Classification and Measurement. IFRS 9 is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

**Effective for annual periods beginning on or after January 1, 2019:**

IFRS 16, Leases. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 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. The extent of the impact of adoption has not yet been determined.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or not expected to have a significant impact on the Company's financial statements.

**NOTE 3 – RECEIVABLES**

Receivables are comprised of the following:

	<b>July 31, 2017</b>	<b>October 31, 2016</b>
GST Receivable	\$ 8,035	\$ 98,678
BCMETS	-	57,111
Total	<u>\$ 8,035</u>	<u>\$ 155,789</u>

**WESTKAM GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the three and nine months ended July 31, 2017**

---

**NOTE 4 – EQUIPMENT**

	Computer equipment	Furniture, fixtures and equipment	Total
<b>Cost</b>			
Balance at October 31, 2015, 2016 and July 31, 2017	\$ 41,035	\$ 68,065	\$ 109,100

	Computer equipment	Furniture, fixtures and equipment	Total
<b>Depreciation and impairment</b>			
Balance at October 31, 2015	\$ 40,152	\$ 58,920	\$ 99,072
Depreciation	237	1,696	1,933
Balance at October 31, 2016	\$ 40,389	\$ 60,616	\$ 101,005
Depreciation	135	1,062	1,197
Balance at July 31, 2017	40,524	61,678	102,202

	Computer equipment	Furniture, fixtures and equipment	Total
<b>Carrying values</b>			
Balance at October 31, 2016	\$ 646	\$ 7,449	\$ 8,095
Balance at July 31, 2017	\$ 511	\$ 6,387	\$ 6,898

**NOTE 5 – EXPLORATION AND EVALUATION ASSETS**

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many exploration and evaluation assets. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its properties are in good standing.

Exploration and evaluation assets costs are set out below

	Bonaparte
As at October 31, 2015	\$ 14,300,198
Reclamation obligation	41,000
As at October 31, 2016 and July 31, 2017	\$ 14,341,198

**WESTKAM GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the three and nine months ended July 31, 2017**

---

**NOTE 5 – EXPLORATION AND EVALUATION ASSETS – (Continued)**

**Bonaparte Gold property - Kamloops, British Columbia**

The Company has a 100% interest in the Bonaparte Gold property located in the Kamloops mining district in British Columbia.

The Company entered into an advanced exploration agreement with the Stk'emlupsemc Te Secwepemc Nation requiring payments as follows:

- 1) \$25,000 on or before August 14, 2015 (paid)
- 2) \$25,000 on or before August 14, 2016 (paid)

The Company will also fund a Cultural Heritage Study ( the "Study") with funding requirements as follows:

- 1) \$100,000 upon receipt of Study proposal (paid)
- 2) \$50,000 within 12 months of receipt of proposal (paid)
- 3) \$50,000 upon receipt of final Study

The above payments have been included in exploration expenditures as advanced exploration fees.

The table below is a summary of exploration expenditures recognized in profit or loss for the periods ended July 31, 2017 and 2016:

	2017	2016
	Bonaparte	Bonaparte
<b>Exploration Expenses</b>		
Assays	6,599	-
Camp supplies, maintenance and miscellaneous	126,802	242,666
Geological consulting	46,246	55,856
Other	97,583	-
<b>Net Exploration</b>	<b>\$ 227,230</b>	<b>\$ 298,522</b>

The Company has recognized a reclamation obligation of \$41,000 (2016 - \$nil). The undiscounted amount of estimated cash flows was estimated at \$40,000. The liability was estimated using an expected life of five years and net inflation rate of 0.4%.

**NOTE 6 – SHARE CAPITAL**

The Company's share capital consists of an unlimited number of common shares without par value.

**Fiscal 2017 Transactions**

On May 16, 2017, the Company completed a non-brokered private placement for 15,500,000 units for gross proceeds of \$310,000. The Company sold 6,500,000 flow-through units and 9,000,000 units at a price of \$0.02 per unit. Each flow-through unit consisted of one flow-through common share and one common share purchase warrant, with each warrant exercisable at a price of \$0.05 for a period of five years from the date of close. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable at a price of \$0.05 for a period of three years from the date of close.

**WESTKAM GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the three and nine months ended July 31, 2017**

---

**NOTE 6 – SHARE CAPITAL – (Continued)**

**Fiscal 2016 Transactions**

On January 27, 2016, the Company completed a non-brokered private placement of 17,900,000 units for gross proceeds of \$537,000. The Company sold 11,700,000 flow-through units and 6,200,000 units at a price of \$0.03 per unit. Each flow-through unit consisted of one flow-through common share and one common share purchase warrant, with each warrant exercisable at a price of \$0.05 for a period of five years from the date of close. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable at a price of \$0.05 for a period of five years from the date of close.

On April 29, 2016, the Company closed the first tranche of a non-brokered private placement of 58,047,499 units for gross proceeds of \$1,741,425. The Company sold 42,626,333 flow-through units and 15,421,166 units at a price of \$0.03 per unit. Each flow-through unit consisted of one flow-through common share and one common share purchase warrant, with each warrant exercisable at a price of \$0.05 for a period of five years from the date of close. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable at a price of \$0.05 for a period of five years from the date of close. The Company paid financing fees totaling \$332,876 and issued 1,650,000 broker warrants valued at \$61,833 with respect to this private placement.

On May 16, 2016, the Company completed the second tranche of a non-brokered private placement of 7,762,332 units for gross proceeds of \$232,870 through the sale of 7,762,332 units at a price of \$0.03 per unit. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable at a price of \$0.05 for a period of five years from the date of close. The Company paid financing fees totaling \$35,286 with respect to this private placement.

During fiscal 2016, the Company issued 13,997,966 common shares on the exercise of warrants for gross proceeds of \$699,898 of which \$15,000 is included in share subscriptions receivable as at October 31, 2016.

**Share-based compensation**

The Company has an equity-settled stock option plan under which the Board of Directors may grant options to directors, officers, other employees and key consultants. The purpose of the plan is to advance the interests of the Company by encouraging these individuals to acquire shares in the Company and thereby remain associated with, and seek to maximize the value of, the Company.

Under the plan, the number of shares reserved for issuance pursuant to the exercise of all options under the plan may not exceed 10% of the issued and outstanding common shares on a non-diluted basis at any time. The options expire not more than five years from the date of grant, or earlier if the individual ceases to be associated with the Company, and vest over terms determined at the time of grant.

No options were granted during fiscal 2017 or 2016.

**WESTKAM GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the three and nine months ended July 31, 2017**

**NOTE 6 – SHARE CAPITAL - (Continued)**

As at October 31, 2016 and July 31, 2017, the Company had outstanding and exercisable stock options as follows:

<b>Exercise price</b>	<b>Expiry date</b>	<b>Number outstanding</b>	
\$0.05	Aug. 21, 2019	4,300,000	
\$0.05	Weighted average	4,300,000	Total

The continuity of stock options for the period ended July 31, 2017 and years ended October 31, 2016 and 2015 is as follows:

	<b>Number of Options</b>	<b>Weighted average exercise price</b>
Outstanding as at October 31, 2015	4,300,000	\$ 0.05
Outstanding as at October 31, 2016	4,300,000	\$0.05
Outstanding as at July 31, 2017	4,300,000	\$0.05

**Warrants**

The continuity of warrants for the period ended July 31, 2017 and year ended October 31, 2016 is as follows:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Oct. 31, 2016</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired/ cancelled</b>	<b>July 31, 2017</b>
July 26, 2018	\$0.10	10,626,000	-	-	-	10,626,000
July 26, 2018	\$0.10/ \$0.20 <sup>(i)</sup>	3,300,000	-	-	-	3,300,000
Aug. 21, 2019	\$0.07/ \$0.10 <sup>(ii)</sup>	3,008,333	-	-	-	3,008,333
Aug. 21, 2019	\$0.10	656,000	-	-	-	656,000
May 16, 2020	\$0.05	-	15,500,000	-	-	15,000
June 17, 2020	\$0.05	16,300,000	-	-	-	16,300,000
June 17, 2020	\$0.05	570,000	-	-	-	570,000
Jan. 27, 2021	\$0.05	17,900,000	-	-	-	17,900,000
Apr. 29, 2021	\$0.05	59,697,499	-	-	-	59,697,499
May 16, 2021	\$0.05	7,762,333	-	-	-	7,762,333
		119,820,165	15,500,000	-	-	135,320,165
Weighted average		\$0.06	-	-	-	\$0.06

<sup>(i)</sup> the exercise price of the warrants is \$0.10 in the first three years, and \$0.20 thereafter

<sup>(ii)</sup> the exercise price of the warrants is \$0.07 in the first two years, and \$0.10 thereafter

**WESTKAM GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the three and nine months ended July 31, 2017**

---

**NOTE 6 – SHARE CAPITAL - (Continued)**

The fair value of agent's warrants is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2017
Dividend yield	Nil
Expected volatility	224.39%
Risk free rate of return	0.77%
Expected life	5 years
Fair value	\$0.05

**NOTE 7 – RELATED PARTY TRANSACTIONS**

The Company's related parties which consist of individuals who are executive officers and/or directors of the Company and or are directly related to a director of the Company are as follows:

Name	Nature of transaction
Matt Wayrynen, CEO, Director	Management fees, office
Pamela Saulnier, CFO	Management fees and Consulting fees

Key management consist of the chief executive officer, chief financial officer, directors and a company controlled by a director.

The Company incurred the following fees and expenses with key management.

	July 31, 2017	July 31, 2016
Management and consulting fees	\$ 135,000	\$ 135,000
Total	\$ 135,000	\$ 135,000

**NOTE 8 – SEGMENTED INFORMATION**

The Company operates in one business segment being the acquisition and exploration of exploration and evaluation assets in Canada.

**NOTE 9 – BASIC AND DILUTED LOSS PER SHARE**

The calculation of basic and diluted loss per share for the period ended July 31, 2017 is based on the loss attributable to common shareholders of \$696,677 (2016 - \$691,930) and a weighted average number of common shares outstanding of 183,801,767 (2016 – 129,666,542).

## **NOTE 10 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

### **Fair values**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 - inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets;
- Level 2 - inputs to the valuation methodology included quoted prices for identical assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace; and,
- Level 3 - inputs to the valuation methodology are not based on observable market data.

The fair value of cash is measured at Level 1 of the fair value hierarchy. The carrying value of receivables, reclamation bonds and accounts payable and accrued liabilities are measured at amortized cost using effective interest rate.

### **Financial instrument risk exposure and risk management**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

### **Credit risk**

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist primarily of amounts due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company is exposed to liquidity risk.

**WESTKAM GOLD CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the three and nine months ended July 31, 2017**

---

**NOTE 10 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – (Continued)**

**Interest rate risk**

The Company has cash balances. The Company's current policy is to invest excess cash in investment grade short-term demand deposit certificates issued by its banking institutions. The company periodically monitors the investments it makes and is satisfied with the credit rating of its banks. The Company is marginally exposed to interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates.

**Foreign currency risk**

The Company has limited exposure to foreign currency risk on currency fluctuations related to monetary items with a settlement currency other than Canadian dollars.

**Commodity price risk**

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**NOTE 11 – CAPITAL MANAGEMENT**

The Company manages common shares, stock options, and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its 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 the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets, or adjust the amount of cash on hand.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. Cash consist of cash on hand, balances with banks and investments in highly liquid instruments. There have been no changes to the Company's approach to capital management during the period ended July 31, 2017. The Company is not subject to externally imposed capital requirements.