



**FINANCIAL STATEMENTS**

(Stated in Canadian dollars)

**April 30, 2017 and 2016**

**INDEPENDENT AUDITORS' REPORT**

To the Shareholders of  
Gespeg Copper Resources Inc.

We have audited the accompanying financial statements of Gespeg Copper Resources Inc., which comprise the statements of financial position as at April 30, 2017 and 2016 and the statements of loss and comprehensive loss, changes in shareholders' equity (deficiency), and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the financial Statements***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, these financial statements present fairly, in all material respects, the financial position of Gespeg Copper Resources Inc. as at April 30, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

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

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

August 28, 2017



**Gespeg Copper Resources Inc.**  
**Statements of Financial Position**

As at,	April 30, 2017	April 30, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 43,398	\$ 50,233
Other receivables and prepaid expenses	1,404	19,892
	<b>44,802</b>	<b>70,125</b>
<b>Non-current assets</b>		
Exploration and evaluation assets (Note 3 and 7)	4	2,109,358
<b>Total assets</b>	<b>\$ 44,806</b>	<b>\$ 2,179,483</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 470,225	\$ 300,032
Flow-through premium liability (Note 4)	-	2,800
<b>Total liabilities</b>	<b>470,225</b>	<b>302,832</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital (Note 4)	10,780,344	10,720,344
Contributed surplus (Note 4)	1,110,989	1,083,489
Deficit	(12,316,752)	(9,927,182)
	<b>(425,419)</b>	<b>1,876,651</b>
<b>Total liabilities and shareholders' equity (deficiency)</b>	<b>\$ 44,806</b>	<b>\$ 2,179,483</b>

**Description of business and going concern** (Note 1)

**Commitments** (Note 6)

**Events after the reporting period** (Note 10)

**Approved and authorized on behalf of the Board of Directors on August 28, 2017:**

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"Tim Termuende"

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"Sylvain Laberge"

The accompanying notes are an integral part of these financial statements

**Gespeg Copper Resources Inc.**  
**Statements of Loss and Comprehensive Loss**

<b>For the years ended April 30,</b>	<b>2017</b>	<b>2016</b>
<b>Operating Expenses</b>		
Finance - interest and bank charges	\$ 259	\$ 1,022
General and administration (Note 7)	81,996	138,274
Impairment of exploration and evaluation assets (Note 3)	2,197,315	2,772,166
Management fees (Note 7)	30,000	57,000
Professional fees	40,081	80,686
Share-based compensation (Note 4)	27,500	57,500
Transfer agent and filing fees	15,219	18,677
	<b>2,392,370</b>	<b>3,125,325</b>
<b>Loss from operations</b>	<b>(2,392,370)</b>	<b>(3,125,325)</b>
Other income on settlement of flow-through premium liability (Note 4)	2,800	12,200
	<b>\$ (2,389,570)</b>	<b>\$ (3,113,125)</b>
<b>Net loss and comprehensive loss</b>	<b>\$ (2,389,570)</b>	<b>\$ (3,113,125)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.03)</b>	<b>\$ (0.05)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>70,255,490</b>	<b>66,100,019</b>

The accompanying notes are an integral part of these financial statements

**Gespeg Copper Resources Inc.**  
**Statements of Changes in Shareholders' Equity (Deficiency)**

	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Shareholders' Equity (Deficiency)
<b>Balance, May 1, 2015</b>	<b>61,008,512</b>	<b>\$ 10,412,253</b>	<b>\$ 982,152</b>	<b>\$ (6,814,057)</b>	<b>\$ 4,580,348</b>
Shares and units issued for cash	6,600,000	289,700	40,300	-	330,000
Flow-through premium liability	-	(15,000)	-	-	(15,000)
Broker warrants issued	-	(3,537)	3,537	-	-
Shares issued for mineral property	1,500,000	67,500	-	-	67,500
Share-based compensation - warrant extension	-	-	57,500	-	57,500
Share issue costs, net of tax	-	(30,572)	-	-	(30,572)
Net loss	-	-	-	(3,113,125)	(3,113,125)
<b>Balance, April 30, 2016</b>	<b>69,108,512</b>	<b>\$ 10,720,344</b>	<b>\$ 1,083,489</b>	<b>\$ (9,927,182)</b>	<b>\$ 1,876,651</b>
	Number of Common Shares	Share Capital	Contributed Surplus	Deficit	Shareholders' Equity (Deficiency)
<b>Balance, May 1, 2016</b>	<b>69,108,512</b>	<b>\$ 10,720,344</b>	<b>\$ 1,083,489</b>	<b>\$ (9,927,182)</b>	<b>\$ 1,876,651</b>
Shares issued for mineral property	1,500,000	60,000	-	-	60,000
Share-based compensation - warrant extension	-	-	27,500	-	27,500
Net loss	-	-	-	(2,389,570)	(2,389,570)
<b>Balance, April 30, 2017</b>	<b>70,608,512</b>	<b>\$ 10,780,344</b>	<b>\$ 1,110,989</b>	<b>\$ (12,316,752)</b>	<b>\$ (425,419)</b>

The accompanying notes are an integral part of these financial statements

**Gespeg Copper Resources Inc.**  
**Statements of Cash Flows**

<b>For the years ended April 30,</b>	<b>2017</b>	<b>2016</b>
<b>Cash flows used in Operating Activities</b>		
Net loss for the year	\$ (2,389,570)	\$ (3,113,125)
Items not affecting cash:		
Impairment of exploration and evaluation assets	2,197,315	2,772,166
Other income on settlement of flow-through premium liability	(2,800)	(12,200)
Share-based compensation	27,500	57,500
Net changes in non-cash working capital items:		
Increase (decrease) in accounts payable and accrued liabilities	145,858	60,209
Decrease in other receivables and prepaid expenses	18,488	776
<b>Cash flows used in Operating Activities</b>	<b>(3,209)</b>	<b>(234,674)</b>
<b>Cash flows used in Investing Activities</b>		
Exploration and evaluation assets	(3,626)	(90,579)
<b>Cash flows used in Investing Activities</b>	<b>(3,626)</b>	<b>(90,579)</b>
<b>Cash flows provided by Financing Activities</b>		
Issuance of common shares and units	-	330,000
Share issue costs, net of tax	-	(30,572)
<b>Cash flows provided by Financing Activities</b>	<b>-</b>	<b>299,428</b>
<b>Net change in cash during the year</b>	<b>(6,835)</b>	<b>(25,825)</b>
Cash, beginning of year	50,233	76,058
Cash, end of year	<b>\$ 43,398</b>	<b>\$ 50,233</b>
<b>Non-cash transactions</b>		
Shares issued for exploration and evaluation assets	\$ 60,000	\$ 67,500
Issuance of warrants and broker warrants	\$ -	\$ 43,837
Accounts payable and other receivables related to exploration and evaluation assets	\$ 24,335	\$ 128,126
Fair value of flow-through premium liability	\$ -	\$ 15,000

The accompanying notes are an integral part of these financial statements

**Gespeg Copper Resources Inc.**  
**Notes to the Financial Statements**  
**April 30, 2017**

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**1. Description of business and going concern**

Gespeg Copper Resources Inc. (the “Corporation”) was incorporated under the laws of British Columbia, Canada on May 31, 2006 and is listed on the TSX Venture Exchange (“TSX-V”). The principal business of the Corporation is the identification, exploration and development of mineral properties.

The address of the Corporation’s corporate office and principal place of business is Suite 602 – 224 4<sup>th</sup> Avenue South, Saskatoon, Saskatchewan S7K 5M5. These financial statements were approved by the Corporation’s board of directors on August 28, 2017.

**Going concern**

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operation. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. The use of these principles may not be appropriate.

To date, the Corporation has not earned significant revenue and is considered to be in the exploration and evaluation stage.

The investment in, and expenditures on, exploration and evaluation assets comprise a significant portion of the Corporation’s assets. Mineral exploration and development is highly speculative and involves inherent risks. Realization of the Corporation’s investment in these assets is dependent upon the renewed legal ownership of the claims and whether an economically viable operation can be established.

In addition, it has not yet been determined whether the Corporation’s properties contain ore reserves that are economically recoverable. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines.

As at April 30, 2017, the Corporation’s current cash resources are insufficient to cover the expected expenditures in fiscal 2018. The Corporation’s ability to continue as a going concern is dependent on being able to obtain the necessary financing to satisfy its liabilities as they become due. There can be no assurances that management will be successful in securing adequate financing.

The Corporation reported net losses in fiscal 2017 and 2016 of \$2,389,570 and \$3,113,125 respectively. These recurring losses and the need for continued financing to further successful exploration may cast significant doubt as to the Corporation’s ability to continue as a going concern.

These financial statements do not include any adjustments to the carrying values of assets and liabilities that might be necessary, if the Corporation is unable to continue as a going concern. Such adjustments could be material.

**2. Significant accounting policies**

The significant accounting policies used in the preparation of these annual financial statements are set out below. These policies have been consistently applied to all the periods presented.

**2. Significant accounting policies (continued)**

**Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

**Basis of preparation**

These financial statements have been prepared on a historical cost basis and are prepared and presented in Canadian dollars, which is the Corporation’s functional currency. In addition, these financial statements are based on the accrual method of accounting, with the exception of cash flow information.

**Exploration and evaluation assets**

**Pre-license costs**

Pre-license costs are costs incurred before the legal rights to explore a specific area have been obtained. These costs are expensed in the period in which they are incurred as an exploration expense.

**Exploration and evaluation (“E&E”) costs**

Once the legal right to explore has been acquired, costs directly associated with the exploration project are capitalized as either tangible or intangible exploration and evaluation assets according to the nature of the asset acquired. Such E&E costs include land acquisition, geological, geophysical and seismic, exploratory drilling and completion, testing, completing prefeasibility and feasibility studies and directly attributable internal costs. E&E costs are not depleted or amortized and are carried forward until technical feasibility and commercial viability of extracting a mineral resource is considered to be determined. The technical feasibility and commercial viability of a mineral resource is considered to be established when proved and/or probable reserves are determined to exist. Upon determination of proved and/or probable reserves, E&E assets attributed to those reserves are first tested for impairment and then reclassified to development and production assets within property, plant and equipment, net of any impairment and subsequently amortized.

**Impairment of non-current assets**

The carrying amounts of the Corporation’s non-current assets are reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future exploitation or sale. Such circumstances include the existence of specific rights to explore in a specific area, actual and planned expenditures, results of exploration, and whether an economically-viable operation can be established. An impairment loss is recognized for the amount by which any exploration and evaluation asset exceeds its recoverable amount. The recoverable amount is the higher of the exploration and evaluation asset’s fair value less costs to sell and value in use. Management judgment is applied in determining the lowest levels of exploration and evaluation assets grouping, for which there are separately identifiable cash flows (cash generating units), generally on the basis of areas of geological interest. Estimates and assumptions made may change if new information becomes available. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the Cash Generating Unit (“CGU”) level, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, generally on the basis of geological interest. The Corporation has determined that geological areas within each claim group of a property are the CGUs.

**2. Significant accounting policies** (continued)

**Impairment of non-current assets** (continued)

The recoverable amount of a CGU is the greater of its fair value less costs to sell and its value in use. An impairment loss is recognized in the statement of loss and comprehensive loss for the period to the extent that the carrying amount of the asset (or CGU) exceeds the recoverable amount.

Impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset (or CGU) does not exceed the carrying amount that would have been determined, net of depletion and depreciation, had no impairment loss been recognized for the asset (or CGU). A reversal of an impairment loss is recognized immediately in the statement of loss and comprehensive loss.

**Taxes**

Income tax expense is comprised of current and deferred income taxes. Current income tax and deferred income tax are recognized in profit or loss, except to the extent that they relate to items recognized directly in equity or equity investments.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is measured at the 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 reporting date. Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax liabilities and assets, and they relate to income taxes levied by the same tax authority for the same taxable entity. A deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related income tax benefit will be realized.

**Commodity taxes**

Expenses and exploration and evaluation assets are recognized net of the amount of commodity taxes except where the commodity taxes incurred are not recoverable from the taxation authority, in which case, the commodity taxes are recognized as part of the cost of exploration and evaluation assets or as part of the expense item as applicable.

**2. Significant accounting policies (continued)**

**Share capital and warrants**

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issue of common shares, including warrants, are recognized as a reduction of equity, net of tax. For compound financial instruments, the relative fair value method is used to separate the components where the Corporation issues common shares and warrants as part of its equity financing activities.

The Corporation has adopted a relative fair value method with respect to the measurement of shares and warrants issued as private placements units. The relative fair value method allocates value to each component on a pro-rata basis, based on the fair value of the components calculated independently of one another. The Corporation considers the market value of the common shares issued as fair value, and measures the fair value of the warrant component of the unit using the Black-Scholes option pricing model. The unit value is then allocated, pro-rata, between the two components, with the fair value attributed to the warrants being recorded as contributed surplus.

**Flow-through shares**

Where a portion of the Corporation's exploration activities is financed by flow-through share arrangements, under the terms of flow-through share agreements, the tax deductions of the related Canadian exploration expenditures ("CEE") are renounced in favour of the investors. Accordingly, flow-through proceeds are allocated between the offering of the common shares and the premium associated with the sale of tax benefits of the common shares at the date of issuance. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors and reversed in the statements of loss and comprehensive loss as a deferred income tax recovery ("other income") as the Corporation spends the flow-through proceeds.

**Share-based payments**

Options and warrants granted are accounted for using the fair value method. Under this method, the fair value of stock options and warrants granted are measured at estimated fair value at the grant date and recognized over the vesting period on a graded basis. Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus on options granted is transferred to share capital.

Options and warrants granted to employees and others providing similar services are measured at grant date at the fair value of the instruments issued. The Corporation uses the Black-Scholes option pricing model to determine the fair value of these incentives taking into consideration terms and conditions upon which the options were granted. At each financial reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest, if applicable.

Options and warrants granted to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

**2. Significant accounting policies (continued)**

**Loss per share**

The Corporation presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period, adjusted for own shares held. Diluted loss per share is determined by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding, adjusted for own shares held and for the effects of all potential dilutive common shares related to outstanding stock options and warrants issued by the Corporation. In years where a loss is reported, diluted loss per share is the same as basic loss per share because the effects of potentially dilutive common shares would be anti-dilutive.

**Financial instruments**

**Financial assets**

The Corporation classifies its financial assets into one of the following categories as follows:

Fair value through profit or loss ("FVTPL") - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

**2. Significant accounting policies (continued)**

**Financial liabilities**

The Corporation classifies its financial liabilities into one of two categories as follows:

Fair value through profit or loss - This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities - This category consists of liabilities carried at amortized cost using the effective interest method.

The Corporation has classified its cash as FVTPL, its other receivables as loans and receivables and its accounts payable and accrued liabilities as other financial liabilities.

**Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets objective evidence of impairment could include:

- a) significant financial difficulty of the issuer or counterparty; or
- b) default or delinquency in interest or principal payments; or
- c) it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

**2. Significant accounting policies (continued)**

**Provision for environmental rehabilitation**

The Corporation recognizes liabilities for legal or constructive obligations associated with the retirement of mineral properties and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Corporation's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

As at April 30, 2017 and 2016, the Corporation does not have any known rehabilitation obligations.

**New and amended IFRS pronouncements**

During the year ended April 30, 2017, the Corporation adopted certain new and amended accounting pronouncements and standards, none of which had a material impact on the Corporation's financial statements.

**New standards not yet adopted**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after January 1, 2017. The following standards have not yet been adopted by the Company and are being evaluated to determine their impact:

- (a) IFRS 9: New standard that replaced IAS 39 for classification and measurement of financial instruments, effective for annual periods beginning on or after January 1, 2018.

**Significant accounting judgments, estimates and assumptions**

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

**Gespeg Copper Resources Inc.**  
**Notes to the Financial Statements**  
**April 30, 2017**

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**2. Significant accounting policies** (continued)  
**Significant accounting judgments, estimates and assumptions** (continued)

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The information about significant areas of estimation uncertainty considered by management in preparing the financial statements includes:

- determination of the CGU and the recoverable amounts of the CGU used in impairment testing of long-lived assets including estimates of reserves and resources, future commodity prices, production costs, foreign exchange rates, discount rates, inflation and income tax rates;
- the fair value of share-based compensation determined using the Black-Scholes option pricing model using estimates for expected forfeitures, useful life and stock volatility;
- a portion of the provision for deferred income taxes based on estimated tax bases using enacted or substantively enacted tax rates expected to apply to taxable income during the years in which the differences are expected to be recovered or settled; and
- the determination that CGUs are at the claims group level or areas within each claims group.

**3. Exploration and evaluation assets**

Exploration and evaluation asset expenditures by nature are detailed as follows:

<b>Year ended April 30,</b>	<b>2017</b>	<b>2016</b>
Exploration	\$ -	\$ 29,425
Geology, technical reports, data compilation and maps	31,377	66,690
Geophysical	-	50,802
Property acquisition and rent	69,477	96,875
Resource tax credit refund	(12,893)	(53,946)
	<b>\$ 87,961</b>	<b>\$ 189,846</b>

The Corporation considers property acquisition costs as tangible costs and all other exploration and evaluation expenditures are intangible.

**Gespeg Copper Resources Inc.**  
**Notes to the Financial Statements**  
**April 30, 2017**

**3. Exploration and evaluation assets (continued)**

Exploration and evaluation assets by properties are detailed as follows:

	<b>Balance as at May 1, 2015</b>		<b>Additions</b>	<b>Impairment/ Disposals</b>	<b>Balance as at April 30, 2016</b>
Vortex	\$ 4,496,527	\$	20,708	\$ (2,772,166)	\$ 1,745,069
Port Daniel	195,151		117,857	-	313,008
Cap-Chat	-		50,741	-	50,741
Cascapedia extension	-		540	-	540
	<b>\$ 4,691,678</b>	<b>\$</b>	<b>189,846</b>	<b>\$ (2,772,166)</b>	<b>\$ 2,109,358</b>

	<b>Balance as at May 1, 2016</b>		<b>Additions</b>	<b>Impairment/ Disposals</b>	<b>Balance as at April 30, 2017</b>
Vortex	\$ 1,745,069	\$	36,466	\$ (1,781,534)	\$ 1
Port Daniel	313,008		51,495	(364,502)	1
Cap-Chat	50,741		-	(50,740)	1
Cascapedia extension	540		-	(539)	1
	<b>\$ 2,109,358</b>	<b>\$</b>	<b>87,961</b>	<b>\$ (2,197,315)</b>	<b>\$ 4</b>

**Vortex**

The Vortex project is a copper molybdenum exploration opportunity in the Gaspé region of Quebec and is the site of the former Gaspé Copper mine and smelter. The project encompasses 80 sq. km of land and is comprised of three main claim groups:

- a) The Sullipek deposit, situated on the western edge of the project area;
- b) The Sullipek East property, a skarn/porphyry copper opportunity; and
- c) The Madeleine des Vercheres claim group.

On July 23, 2013, the Corporation and ASPM Inc. (the "Vendor") executed a term extension on the Madelaine des Vercheres claim group. Under the terms of the extension, the minimum exploration requirements of the Corporation have been adjusted as detailed in Note 6. Further, the Corporation was required to make a one-time payment of \$30,000 to the Vendor (paid).

Also, considered a part of the Vortex is the In-between project, a copper molybdenum exploration opportunity in the Gaspé region of Quebec. It covers lands between Vortex to the west and Murdochville to the east.

During the year ended April 30, 2017, the Corporation reviewed its exploration and evaluation assets and determined economic conditions, commodity prices and the Corporation's future expenditure plans supported the need to impair the properties accordingly the Corporation recorded a write down in the amount of \$1,781,534 (2016 - \$2,772,166).

**Gespeg Copper Resources Inc.**  
**Notes to the Financial Statements**  
**April 30, 2017**

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**3. Exploration and evaluation assets (continued)**

**Port Daniel**

Port Daniel is a copper mineral opportunity located in the south region of the Gaspé Peninsula of Quebec.

On August 27, 2013 (the “Effective Date”), the Corporation entered into an option agreement with Dan Lepage and Pierre Ross (the “Optionors”) whereby the Corporation can acquire a 100% interest in the Port Daniel claims for consideration as follows:

- a. Making a cash payment of \$3,000 to the Optionor on the Effective Date (paid);
- b. Incurring minimum aggregate exploration expenditures on the claims as follows:
  - i. \$25,000 prior to January 1, 2014 (incurred);
  - ii. \$250,000 on or before January 1, 2015;
  - iii. \$350,000 on or before January 1, 2016;
  - iv. \$450,000 on or before January 1, 2017; and
  - v. \$750,000 on or before January 1, 2018.
- c. Issuing common shares to the Optionor as follows:
  - i. 500,000 common shares on or before the 12 month anniversary of the Effective Date (issued at a fair value of \$30,000);
  - ii. 500,000 common shares on or before the 24 month anniversary of the Effective Date (issued at a fair value of \$22,500);
  - iii. 500,000 common shares on or before the 36 month anniversary of the Effective Date (issued at a fair value of \$22,500); and
  - iv. 500,000 common shares on or before the 48 month anniversary of the Effective Date.

During the year ended April 30, 2016 and 2015 the Corporation did not make the required property expenditures in accordance with the option agreement.

On July 21, 2015, the Corporation amended the option agreement with the Optionor whereby the exploration expenditure requirements would be negated for a cash payment of \$10,000 (not paid as at April 30, 2016 or 2017) and issuance of 1,000,000 common shares (issued at a fair value of \$45,000).

During the year ended April 30, 2017, the Corporation reviewed its exploration and evaluation assets and determined economic conditions, commodity prices and the Corporation's future expenditure plans supported the need to impair the properties accordingly the Corporation recorded a write down in the amount of \$364,502.

**3. Exploration and evaluation assets (continued)**

**Cap-Chat**

The Cap-Chat property is a copper, gold and zinc exploration opportunity in the north-central region of the Gaspé Peninsula of Quebec.

On July 21, 2015, the Corporation entered into an option agreement with Dan Lepage and Pierre Ross (the "Optionors") whereby the Corporation can acquire a 100% interest in the Cap-Chat property by making a cash payment of \$10,000 on signing of the agreement (paid) and issuing a total of 1,000,000 common shares to the Optionors on approval from the TSX-V (issued at a fair value of \$37,500).

The property is subject to a 3% net smelter return royalty, of which 1.5% can be purchased by the Corporation for \$1,500,000.

During the year ended April 30, 2017, the Corporation reviewed its exploration and evaluation assets and determined economic conditions, commodity prices and the Corporation's future expenditure plans supported the need to impair the properties accordingly the Corporation recorded a write down in the amount of \$50,740.

**Cascapedia extension**

During the year ended April 30, 2016, the Corporation staked 10 claims in the south-central region of the Gaspé Peninsula of Quebec.

During the year ended April 30, 2017, the Corporation reviewed its exploration and evaluation assets and determined economic conditions, commodity prices and the Corporation's future expenditure plans supported the need to impair the properties accordingly the Corporation recorded a write down in the amount of \$539.

**Net smelter royalty**

As part of the acquisition of the Vortex claims, the Corporation entered into an agreement with 49 North Resources Inc. to grant a 2% net smelter return "NSR" royalty from the sale of all copper-molybdenum lands portion of the property, excluding the Port Daniel property. The Corporation may, at any time reduce the NSR from 2% to 0.5%, by making a cash payment of \$1,000,000 to 49 North.

**4. Common shares and contributed surplus**

The Corporation is authorized to issue an unlimited number of common shares without par value.

**Common shares issued**

On August 11, 2015, the Corporation completed a financing of 3,600,000 units at an issue price of \$0.05 per unit and 3,000,000 flow-through common shares at an issue price of \$0.05 per flow-through common share for gross proceeds of \$330,000. Each unit subscription entitles the holder to one non-flow-through common share of the Corporation and one common share purchase warrant with an exercise price of \$0.15 and a term of 24 months. In connection with the financing, the Corporation issued 272,000 broker warrants and paid cash share issue costs totaling \$30,572.

**Gespeg Copper Resources Inc.**  
**Notes to the Financial Statements**  
**April 30, 2017**

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**4. Common shares (continued)**

**Stock option plan**

The directors of the Corporation have adopted, and the shareholders have approved a stock option plan (the "2013 Option Plan"), pursuant to which the directors may from time to time grant options for up to 10% of its issued and outstanding shares. The purpose of the Option Plan is to attract, retain and motivate directors, employees and consultants of the Corporation and to advance the interests of the Corporation by providing such persons with the opportunity, through stock options, to acquire an equity interest in the Corporation. All stock options granted to officers and directors vest immediately upon issuance; whereas stock options granted to consultants have vesting terms defined at the discretion of the Corporation's board of directors.

A summary of the outstanding and exercisable stock options is as follows:

	April 30, 2017		April 30, 2016	
	Options	Price	Options	Price
<b>Outstanding and exercisable, beginning of year</b>	2,450,000	\$ 0.15	2,700,000	\$ 0.15
Options cancelled	-	-	(250,000)	0.15
<b>Outstanding and exercisable, end of year</b>	<b>2,450,000</b>	<b>\$ 0.15</b>	<b>2,450,000</b>	<b>\$ 0.15</b>

The weighted average remaining life of the Corporation's outstanding stock options is 0.93 years as at April 30, 2017 (April 30, 2016 - 1.93 years).

**Warrants**

A summary of the outstanding warrants is as follows:

	April 30, 2017		April 30, 2016	
	Warrants	Exercise Price	Warrants	Exercise Price
<b>Outstanding, beginning of year</b>	12,160,000	\$ 0.15	8,560,000	\$ 0.15
Warrants granted	-	0.15	3,600,000	0.15
Warrants expired	(2,075,000)	0.15	-	-
<b>Outstanding, end of year</b>	<b>10,085,000</b>	<b>\$ 0.15</b>	<b>12,160,000</b>	<b>\$ 0.15</b>

On April 4, 2014, the Corporation issued 2,075,000 common share purchase warrants as part of a financing completed. Each warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.15 for a period of 24 months and vest immediately. In accordance with the Corporation's accounting policy in regards to unit bifurcation, the Corporation calculated the relative fair value of these warrants at \$45,000. Assumptions used in the Black-Scholes option pricing model were as follows: dividend yield 0%, expected volatility of 152.07%, and a risk free interest rate of 1.08%. Should the trading price of the Corporation equal or exceed \$0.20 for 20 consecutive trading days, the Corporation may give notice that the warrants will expire in 30 days of such notice. These warrants expire on April 4, 2016. During the year ended April 30, 2016, the Company received TSX-V approval to extend the expiry date of these warrants to April 4, 2017. The Corporation used the Black-Scholes option pricing model to fair value the warrant extension (recorded as share-based compensation expense), which was estimated to be \$18,500. Assumptions used in the Black-Scholes option pricing model were as follows: dividend yield 0%, expected volatility of 170.75%, and a risk-free rate of 0.57%.

**Gespeg Copper Resources Inc.**  
**Notes to the Financial Statements**  
**April 30, 2017**

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**4. Common shares (continued)**  
**Warrants** (continued)

On May 25, 2014, the Corporation issued 3,985,000 common share purchase warrants as part of a financing completed. Each warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.15 for a period of 24 months and vest immediately. In accordance with the Corporation's accounting policy in regards to unit bifurcation, the Corporation calculated the relative fair value of these warrants at \$89,100. Assumptions used in the Black-Scholes option pricing model were as follows: dividend yield 0%, expected volatility of 154.52%, and a risk free interest rate of 1.04%. These warrants expire on May 25, 2016. During the year ended April 30, 2016, the Company received TSX-V approval to extend the expiry date of these warrants to May 26, 2017. The Corporation used the Black-Scholes option pricing model to fair value the warrant extension (recorded as share-based compensation expense), which was estimated to be \$39,000. Assumptions used in the Black-Scholes option pricing model were as follows: dividend yield 0%, expected volatility of 168.34%, and a risk-free rate of 0.57%. Subsequent to the year ended April 30, 2017 the warrants expired unexercised (Note 10).

On June 24, 2014, the Corporation issued 2,500,000 common share purchase warrants as part of a financing completed. Each warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.15 for a period of 24 months and vest immediately. In accordance with the Corporation's accounting policy in regards to unit bifurcation, the Corporation calculated the relative fair value of these warrants at \$57,800. Assumptions used in the Black-Scholes option pricing model were as follows: dividend yield 0%, expected volatility of 151.54%, and a risk free interest rate of 1.11%. During the year ended April 30, 2017, the Company received TSX-V approval to extend the expiry date of these warrants to June 24, 2017. The Corporation used the Black-Scholes option pricing model to fair value the warrant extension (recorded as share-based compensation expense), which was estimated to be \$27,500. Assumptions used in the Black-Scholes option pricing model were as follows: dividend yield 0%, expected volatility of 188.78%, and a risk-free rate of 0.50%. Subsequent to the year ended April 30, 2017 the warrants expired unexercised (Note 10).

On August 11, 2015, the Corporation issued 3,600,000 common share purchase warrants as part of a financing completed. Each warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.15 for a period of 24 months and vest immediately. In accordance with the Corporation's accounting policy in regards to unit bifurcation, the Corporation calculated the relative fair value of these warrants at \$40,300. Assumptions used in the Black-Scholes option pricing model were as follows: dividend yield 0%, expected volatility of 171.32%, and a risk free interest rate of 0.36%. The expiry date of these warrants was extended subsequent to the year ended April 30, 2017 (Note 10).

**Broker warrants**

A summary of the outstanding broker warrants and units is as follows:

	April 30, 2017		April 30, 2016	
	Warrants	Price	Warrants	Price
<b>Outstanding, beginning of year</b>	272,000	\$ 0.15	-	\$ -
Broker warrants issued	-	-	272,000	0.15
<b>Outstanding, end of year</b>	<b>272,000</b>	<b>\$ 0.15</b>	<b>272,000</b>	<b>\$ 0.15</b>

**Gespeg Copper Resources Inc.**  
**Notes to the Financial Statements**  
**April 30, 2017**

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**4. Common shares (continued)**  
**Broker warrants** (continued)

On August 11, 2015, the Corporation issued 272,000 broker warrants as part of a financing completed. Each broker warrant entitles the holder to purchase one common share of the Corporation at a price of \$0.15 for a period of 24 months and vest immediately. The fair value of these warrants was estimated at \$3,537 using the Black-Scholes option pricing model with the following assumptions: dividend yield 0%, expected volatility of 171.32%, and a risk free interest rate of 0.36%. These broker warrants expire on August 10, 2017. Subsequent to the year ended April 30, 2017 these broker warrants expired unexercised (Note 10).

**Contributed surplus**

The fair values of certain stock options and broker warrants have been valued using the Black-Scholes option pricing model. The fair value on the grant of these securities is added to contributed surplus. Upon exercise, the corresponding amount of contributed surplus related to the security is removed from contributed surplus and added to share capital.

A summary of the contributed surplus activity is as follows:

	<b>April 30, 2017</b>	<b>April 30, 2016</b>
<b>Balance, beginning of year</b>	<b>\$ 1,083,489</b>	<b>\$ 982,152</b>
Private placements - warrants	-	40,300
Private placements - broker warrants	-	3,537
Share-based compensation - warrant extension	27,500	57,500
<b>Balance, end of year</b>	<b>\$ 1,110,989</b>	<b>\$ 1,083,489</b>

**Other income on settlement of flow-through premium liability**

During the year ended April 30, 2016, the Corporation closed a flow-through financing and recorded a premium received on flow-through shares in the amount of \$15,000, which was recorded as a liability to be reversed to profit and loss as the eligible expenditures were incurred. As at April 30, 2017, the Corporation had reduced the liability to \$Nil (based on expenditures incurred) and accordingly, had recognized other income in the amount of \$2,800 during the year ended April 30, 2017 (2016 - \$12,200).

**Gespeg Copper Resources Inc.**  
**Notes to the Financial Statements**  
**April 30, 2017**

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**5. Deferred income taxes**

The provision for income tax, both current and deferred, differs from the amount calculated by applying the combined expected federal and provincial rate to profit before taxes. The reasons for these differences are as follows:

	<b>2017</b>	<b>2016</b>
Loss for the year before taxes	\$ (2,389,570)	\$ (3,113,125)
Expected income tax recovery	(642,794)	(837,431)
Change in statutory, foreign exchange rates and other	7,894	41,339
Permanent difference	6,900	12,936
Share issue cost	-	(8,224)
Change in unrecognized deductible temporary differences	628,000	791,380
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ -</b>
Current income tax expense	\$ -	\$ -
Deferred tax expense	\$ -	\$ -

The significant components of the Corporation's deferred tax assets (liabilities) are as follows:

	<b>2017</b>	<b>2016</b>
Exploration and evaluation assets	\$ 1,028,000	\$ 445,000
Share issue costs	8,000	\$ 19,000
Non-capital losses available for future period	862,000	806,000
	1,898,000	1,270,000
Unrecognized deferred tax assets	(1,898,000)	(1,270,000)
<b>Net deferred tax asset</b>	<b>\$ -</b>	<b>\$ -</b>

The significant components of the Corporation's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

	<b>2017</b>	<b>Expiry Date Range</b>	<b>2016</b>	<b>Expiry Date Range</b>
Share issue costs	\$ 30,000	2038 to 2040	\$ 72,000	2037 to 2040
Exploration and evaluation assets	\$ 3,823,000	No expiry date	\$ 1,654,000	No expiry date
Non-capital losses available for future period	\$ 3,204,000	2027 to 2037	\$ 2,996,000	2027 to 2036

Tax attributes are subject to review, and potential adjustment, by tax authorities.

**Gespeg Copper Resources Inc.**  
**Notes to the Financial Statements**  
**April 30, 2017**

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**6. Commitments**

**Mining claims obligations**

In order to maintain the Corporation's mining claims, the Corporation must pay the following annual statutory obligations and perform the listed minimum annual work on the properties. These obligations are prescribed by the Ministère des Ressources Naturelles du Québec and may change in the future.

Minimum annual statutory obligations and exploration expenditures are approximately as follows:

	<b>Annual statutory obligations</b>
Vortex	\$ 95,290
Port Daniel	1,560
Murdoch	3,900
Cap-Chat	-
Casapedia extension	28,080
	<b>\$ 128,830</b>

The Corporation has met the minimum annual statutory obligations for the current year.

Although the Corporation has taken steps to verify title to the properties on which it is conducting exploration and development activities and in which it has an interest, in accordance with industry standards for the current stage of exploration and development of such properties, these procedures do not guarantee the Corporation's title. Property title may be subject to Government licensing requirements or regulations, unregistered prior agreements, unregistered claims and non-compliance with regulatory and environmental requirements.

**7. Related party transactions**

**Compensation of key executive personnel**

	<b>April 30, 2017</b>	<b>April 30, 2016</b>
Consulting fees to officers	\$ 65,000	\$ 177,000
	<b>\$ 65,000</b>	<b>\$ 177,000</b>

Consulting fees paid or accrued to directors and officers or companies controlled by directors and officers are recorded in management fees, general and administrative or as applicable capitalized to the exploration and evaluation assets.

During the year ended April 30, 2017, a \$65,000 (2016 - \$177,000) expense was recorded for consulting services provided by companies controlled by directors and officers of the Corporation. As at April 30, 2017 the Corporation owed \$295,087 (April 30, 2016 - \$216,387) related to such services, which is included in accounts payable and accrued liabilities.

## **8. Capital management**

The Corporation's objectives when managing capital are:

- (a) to allow the Corporation to respond to changes in economic and/or marketplace conditions by maintaining the Corporation's ability to continue its exploration programs;
- (b) to provide sustained growth and value by increasing equity; and
- (c) to maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Corporation manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Corporation maintains or adjusts its capital level to enable it to meet its objectives by:

- (a) raising capital through equity financings; and
- (b) borrowing funds in the form of advances from related parties.

The Corporation is not subject to any capital requirements imposed by a regulator. There were no changes in the Corporation's approach to capital management during the current year. The Corporation's management is responsible for the management of capital and monitors the Corporation's use of various forms of leverage on a daily basis.

## **9. Financial instruments**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. 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.

The fair value of the Corporation's other receivables and accounts payable and accrued liabilities approximate their carrying values. The Corporation's other financial instrument, being cash, is measured at fair value using Level 1 inputs.

The Corporation's risk exposures and the impact on the Corporation's financial instruments are summarized below:

### Credit Risk

The Corporation's credit risk is primarily attributable to cash. The Corporation has no significant concentration of credit risk arising from operations. Cash is held with reputable financial institutions, from which management believes the risk of loss to be remote.

**Gespeg Copper Resources Inc.**  
**Notes to the Financial Statements**  
**April 30, 2017**

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**9. Financial instruments (continued)**

*Liquidity Risk*

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at April 30, 2017, the Corporation had a cash balance of \$43,398 to settle current liabilities of \$470,225.

The Corporation has historically relied on equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital and debt to finance its activities. There can be no assurance the Corporation will be able to obtain the required financing in the future on acceptable terms.

*Interest rate risk*

The Corporation is not exposed to risk in the event of interest rate fluctuations. The Corporation has not entered into any interest rate swaps or other financial arrangements that mitigate the exposure to interest rate fluctuations.

**10. Events after the reporting period**

Subsequent to the year ended April 30, 2017, the Corporation:

- a) Signed a 60 day binding letter agreement with DNA Canada Inc ("DNA"), to enter into an option agreement, whereby the Corporation would earn a 50% interest in 65 mining claims and the mining lease located in the Montauban and Chavigny, Quebec townships.
  - a. 10% interest earned by completing a NI 43-101 report on the tailings on the property and issuing 3,000,000 common shares to DNA;
  - b. 15% interest earned by obtaining all required mining permits and issuing 5,000,000 common shares to DNA; and
  - c. 25% interest earned by starting production of the tailings and issuing 10,000,000 common shares to DNA.Immediately thereafter, the Corporation and DNA shall execute a joint venture agreement with respect to the properties. If the Corporation exercises the option, in full, the Corporation shall automatically have a right of first refusal concerning the sale by DNA of the remaining 50% interest.
- b) 6,485,000 warrants and 272,000 broker warrants expired unexercised.
- c) 3,600,000 warrants were extended by one year and now expire August 11, 2018.