



Condensed Consolidated Interim Financial Statements

For the Three Months Ended August 31, 2017

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

NOTICE TO READER

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

The accompanying unaudited condensed consolidated interim financial statements of iMetal Resources Inc. ("Company") have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

iMetal Resources Inc.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Three Months ended	
	August 31	
	2017	2016
OPERATING EXPENSES		
Consulting (Note 4)	\$ 70,341	\$ 42,600
Interest	-	126
Office and salaries	2,092	10,832
Professional fees (Note 4)	28,293	20,684
Share-based payments (Note 8)	17,454	-
Transfer agent and listing fees	9,632	10,964
Travel and promotion	4,721	-
Loss from Operations	(132,533)	(85,206)
Write-off of current liabilities	26,308	-
Net loss and comprehensive loss for the period	\$ (106,225)	\$ (85,206)
Loss per common share – basic and diluted	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding - basic and diluted	68,992,466	51,242,466

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

iMetal Resources Inc.
Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Three months ended August 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (106,225)	\$ (85,206)
Items not affecting cash:		
Interest on notes payable	-	126
Share-based payments	17,454	-
Write-off of current liabilities	(26,308)	-
	(115,079)	(85,080)
Changes in non-cash working capital items:		
Amounts receivable	(4,052)	(4,202)
Prepays	(357)	-
Accounts payable and accrued liabilities	(13,493)	4,872
Due from related party	8,927	-
Due to related parties	27,714	(8,787)
Net cash used in operating activities	(96,340)	(93,197)
CASH FLOWS FROM INVESTING ACTIVITIES		
Exploration and evaluation assets	(41,550)	(47,162)
Net cash used in investing activities	(41,550)	(47,162)
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of stock options	5,000	-
Net cash provided by financing activities	5,000	-
Change in cash for the period	(132,890)	(140,359)
Cash, beginning of period	362,956	197,986
Cash, end of period	\$ 230,066	\$ 57,627
Supplemental Information (Note 12)		

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

iMetal Resources Inc.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
For the Three Months Ended August 31, 2017 and 2016
(Unaudited – Prepared by Management)
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	Capital Stock		Reserves	Deficit	Total
	Number of shares	Amount			
Balance – May 31, 2016	51,242,466	\$ 35,764,345	\$ 2,950,013	\$ (38,569,062)	\$ 145,296
Net loss and comprehensive loss for the period	-	-	-	(85,206)	(85,206)
Balance – August 31, 2016	51,242,466	\$ 35,764,345	\$ 2,950,013	\$ (38,654,268)	\$ 60,090
Balance – May 31, 2017	68,992,466	\$ 36,609,274	\$ 3,055,142	\$ (38,803,092)	\$ 861,324
Exercise of stock options	100,000	5,000	-	-	5,000
Transfer to share capital on exercise of stock options	-	4,624	(4,624)	-	-
Share based payments	-	-	17,454	-	17,454
Net loss and comprehensive loss for the period	-	-	-	(106,225)	(106,225)
Balance – August 31, 2017	69,092,466	\$ 36,618,898	\$ 3,067,972	\$ (38,909,317)	\$ 777,553

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

iMetal Resources Inc.

Notes to the Condensed Consolidated Interim Financial Statements
For the Three Months Ended August 31, 2017 and 2016
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

The Company is engaged in the exploration and development of mineral properties in Ontario and Quebec, Canada and has not yet determined whether these properties contain National Instrument 43-101 compliant ore reserves that are economically recoverable. The exploration programs undertaken and proposed constitute an exploratory search and the development of historic resources. There is no assurance that the Company will be successful in its search and development. The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration and development programs planned by the Company will result in a profitable commercial mining operation. The amounts shown as exploration and evaluation assets represent net costs to date, less amounts written-off, and do not necessarily represent present or future values. The recovery of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of such a property or properties and ultimately upon future profitable production from a property or properties or the realisation of proceeds from the disposition thereof. The Company has incurred losses since inception and at August 31, 2017 has an accumulated deficit of \$38,909,317 (May 31, 2017 - \$38,803,092).

The Company requires additional funds to continue operations, to explore its mineral properties and to maintain its property interests. Management is actively seeking additional financing and, while it has successfully done this in the past, there is no assurance that it will continue to be able to do so in the future. These matters raise substantial doubt about the Company's ability to continue as a going concern. These condensed consolidated interim financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern.

The head office, principal address, registered address and records office of the Company are located at 510 – 580 Hornby Street, Vancouver, British Columbia, Canada, V6C 3B6. The Company's shares are traded on the Tier 2 of the TSX Venture Exchange ("TSX-V") under the symbol "IMR.V" and on the Frankfurt Stock Exchange ("FWB") under the symbol "A7V.F".

2. Significant Accounting Policies**Statement of Compliance**

These condensed consolidated interim financial statements of the Company for the period ended August 31, 2017 have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. The significant accounting policies applied in these condensed consolidated interim financial statements are based on the IFRS issued and outstanding as of August 31, 2017.

Basis of Presentation

These condensed consolidated interim financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's annual consolidated financial statements for the year ended May 31, 2017. These condensed consolidated interim financial statements have been prepared on a historical basis and have been prepared using the accrual basis of accounting, except cash flow information. These condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted.

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Notes to the Condensed Consolidated Interim Financial Statements
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2. Significant Accounting Policies (cont'd)**Basis of Presentation (cont'd)**

These condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended May 31, 2017.

These condensed consolidated interim financial statements include accounts of iMetal Resources Inc. and its wholly-owned subsidiary Risorse Dei Minerali Naturali S.R.L. ("RMN"), a company incorporated in the province of Grosseto, Italy. All significant inter-company transactions and balances have been eliminated on consolidation.

Significant Accounting Judgments, Estimates and Assumptions

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

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. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Differences may be material.

Critical judgments in applying accounting policies:

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 condensed consolidated interim financial statements:

- the determination that the Company will continue as a going concern for the next year;
- the determination that there have been no events or changes in circumstances that indicate the carrying amount of exploration and evaluation assets may not be recoverable; and
- the determination that the functional currency of RMN is the Canadian dollar.

New accounting standards and interpretation

Effective (proposed) for annual periods beginning on or after January 1, 2018:

IFRS 9, Financial Instruments - 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 derecognition 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.

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Notes to the Condensed Consolidated Interim Financial Statements

For the Three Months Ended August 31, 2017 and 2016

(Unaudited – Prepared by Management)

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3. Exploration and Evaluation Assets

Costs	Gowganda West	Ghost Mountain	Temagami North	Carheil	Total
Balance – May 31, 2016	\$ -	\$ -	\$ 1,435,576	\$ 305,127	\$1,740,703
Acquisition costs	75,000	66,250	-	16,828	158,078
Exploration costs	51,633	-	-	39,087	90,720
Balance – May 31, 2017	\$ 126,633	\$ 66,250	\$ 1,435,576	\$ 361,042	\$1,989,501
Acquisition costs	-	-	-	-	-
Exploration costs	34,270	-	-	866	35,136
Balance at August 31, 2017	\$ 160,903	\$ 66,250	\$ 1,435,576	\$ 361,908	\$2,024,637

Impairment write-offs

Balance – May 31, 2016	\$ -	\$ -	\$ (1,428,414)	\$ -	\$(1,428,414)
Balance – May 31, 2017	\$ -	\$ -	\$ (1,428,414)	\$ -	\$(1,428,414)
Balance – August 31, 2017	\$ -	\$ -	\$ (1,428,414)	\$ -	\$(1,428,414)

Carrying values

May 31, 2016	\$ -	\$ -	\$ 7,162	\$ 305,127	\$ 312,289
May 31, 2017	\$ 126,633	\$ 66,250	\$ 7,162	\$ 361,042	\$ 561,087
August 31, 2017	\$ 160,903	\$ 66,250	\$ 7,162	\$ 361,908	\$ 596,223

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3. Exploration and Evaluation Assets (cont'd)

Ontario, Canada

Gowganda West Property

During the year ended May 31, 2017, the Company entered into an option agreement for mineral properties in Gowganda, Ontario. The terms of the option agreement include:

- The Vendors will receive \$50,000 upon signing of a definitive agreement (paid);
- The Vendors will receive \$50,000 each year for three years for a total of \$150,000 starting one year after the initial \$50,000 payment and the signing of a definitive agreement;
- The Company will issue 500,000 shares to the vendors upon the signing of a definitive agreement (issued at a fair value of \$25,000); and
- The Company will issue 500,000 additional shares each year for three years for a total of 1,500,000 shares, starting one year after the signing of the definitive agreement.

Ghost Mountain Property

During the year ended May 31, 2017, the Company entered into an option agreement for mineral properties in Kirkland Lake, Ontario. The terms of the option agreement include:

- The Vendors will receive \$25,000 upon signing of a definitive agreement (paid);
- The Vendors will receive an additional \$25,000 one year from signing the definitive agreement, for a total of \$50,000;
- The Company will issue 750,000 shares to the vendors upon the signing of a definitive agreement (issued at a fair value of \$41,250); and
- The Company will issue 750,000 additional shares one year from signing the definitive agreement, for a total of 1,500,000 shares.

Temagami North Property

The Company holds several claims on the Temagami North Property.

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Notes to the Condensed Consolidated Interim Financial Statements
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3. Exploration and Evaluation Assets (cont'd)

Quebec, Canada

Carheil Property

During the year ended May 31, 2016, the Company acquired mineral properties (43 claims) in Quebec from Skyworld Holdings Limited (“Skyworld”). The terms of the acquisition include:

- Skyworld will receive \$15,000 upon signing of a definitive agreement (paid);
- Skyworld will receive \$10,000 each year for five years for a total of \$50,000 starting in the year following the year of the initial \$15,000 payment and the signing of the definitive agreement (paid in full);
- The Company will issue 400,000 shares to Skyworld upon the closing of the transaction (issued at a value of \$20,000);
- The Company will issue 500,000 additional shares per year each year for three years for a total of 1,500,000 shares, starting in the year following the year after the closing of the transaction (issued in full at a value of \$75,000); and
- Finder’s fees were paid in 190,000 shares valued at \$9,500 to an arm’s length third party in connection with this transaction.

During the year ended May 31, 2017, the Company renewed the 43 claims for two years and also staked an additional 189 contiguous claims.

4. Related Party Transactions

The Company incurred \$60,341 (2016 - \$38,850) to related parties during the period ended August 31, 2017 as follows:

- \$10,000 (2016 - \$Nil) in consulting fees to a director and chief executive officer of the Company.
- \$30,000 (2016 - \$22,500) in consulting fees to a company owned by the Company’s chairman and director of the Company.
- \$3,837 (2016 - \$3,600) in consulting fees to a company controlled by a director of the Company.
- \$15,000 (2016 - \$11,250) in accounting fees to a firm where an officer of the Company is a partner.
- \$1,504 (2016 - \$1,500) in consulting fees to an officer of the Company.

As at August 31, 2017, the Company owed \$29,676 (May 31, 2017 - \$1,962) to related parties as follows:

- \$22,157 (May 31, 2017 - \$Nil) to a director and chief executive officer of the Company.
- \$1,400 (May 31, 2017 - \$1,400) to a company controlled by a director of the Company.
- \$5,359 (May 31, 2017 - \$562) to a firm where an officer of the Company is a partner.
- \$760 (May 31, 2017 - \$Nil) to an officer of the Company.

As at August 31, 2017, the Company advanced \$Nil (May 31, 2017 - \$8,927) to a company controlled by a director of the Company.

These balances are unsecured, non-interest bearing, payable on demand, have no fixed terms of repayment and arose from the provision of services.

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5. Loan Payable

During the year ended May 31, 2017, the Company received loan proceeds of \$5,500 from a firm where an officer of the Company is a partner. The loan was unsecured, non-interest bearing, payable on demand and had no fixed terms of repayment. The loan was repaid in full during the year ended May 31, 2017.

6. Note Payable

In March 2013, the Company entered into a promissory note for \$5,000 that accrues interest at 10% per annum. As at the year ended May 31, 2017, the Company had recorded interest payable of \$2,044. During the period ended August 31, 2017, this promissory note and accrued interest was written off.

7. Reversal of Withholding Tax Liability

During the year ended May 31, 2017, the Canada Revenue Agency (“CRA”) approved the Company’s Notice of Objection with regard to withholdings taxes related to management and consulting fees paid by the Company during the 2010, 2011, 2012 and 2013 fiscal years. As a result, tax liabilities previously accrued by the Company in the amount of \$259,670 were revised to \$nil by the CRA.

8. Equity**a) Share capital**

Authorized share capital consists of an unlimited number of common shares without par value.

As at August 31, 2017 the company has 69,092,466 shares issued and outstanding.

During the period ended August 31, 2017, the Company:

- i. issued 100,000 common shares of the Company for proceeds of \$5,000 for stock options exercised.

During the year ended May 31, 2017, the Company:

- i. issued 1,250,000 common shares of the Company valued at \$66,250 for exploration and evaluation assets (Note 3).
- ii. completed a non-brokered private placement by issuing 16,500,000 units for gross proceeds of \$825,000. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share, exercisable at a price of \$0.06 per share for a period of 24 months from the date of issue. The Company paid cash finder’s fees totaling \$25,619, and issued 410,000 finder’s warrants exercisable at a price of \$0.06 per share for a period of 24 months from the date of issue. The finder’s warrants were ascribed a fair value of \$20,702.

b) Share purchase options

The Company has a stock option plan in place under which it is authorized to grant options to executive officers and directors, officers, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the option price of any common share in respect of which an option may be granted under the stock option plan shall be fixed by the Board of Directors but shall be not less than the minimum price permitted by the Exchange.

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For the Three Months Ended August 31, 2017 and 2016
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8. Equity (cont'd)**b) Share purchase options (cont'd)**

During the year ended May 31, 2017, the Company granted 100,000 stock options, exercisable at a price of \$0.05 per share expiring May 4, 2022 (recorded \$4,624 of share based payments) and granted 1,250,000 stock options, exercisable at a price of \$0.05 per share expiring April 17, 2022 (recorded \$79,803 of share based payments).

During the period ended August 31, 2017, the Company granted 300,000 stock options, exercisable at a price of \$0.05 per share; out of these options, 100,000 options expire on July 27, 2022 (recorded \$5,607 of share based payments), 100,000 options expire on August 8, 2022 (recorded \$5,445 of share based payments), and 100,000 options expire on August 15, 2022 (recorded \$6,402 of share based payments).

The continuity of share purchase options is as follows:

	Outstanding Options	Weighted Average Exercise Price
Balance, May 31, 2016	5,100,000	\$ 0.05
Granted	1,350,000	0.05
Balance, May 31, 2017	6,450,000	\$ 0.05
Granted	300,000	0.05
Exercised	(100,000)	0.05
Balance, August 31, 2017	6,650,000	\$ 0.05

At August 31, 2017, the following incentive stock options were outstanding to directors, officers and consultants:

Number of Options Outstanding	Exercise Price	Expiry Date	Number of Options Exercisable
5,100,000*	\$ 0.05	May 19, 2021	5,100,000
1,250,000**	0.05	April 17, 2022	1,250,000
100,000	0.05	July 27, 2022	100,000
100,000	0.05	August 8, 2022	100,000
100,000	0.05	August 15, 2022	100,000
6,650,000			6,650,000

*Subsequent to the period ended August 31, 2017, 300,000 of these options expired without exercise and 1,250,000 of these options were exercised.

**Subsequent to the period ended August 31, 2017, 950,000 of these options were exercised.

The weighted average remaining life of the options at August 31, 2017 is 3.94 years (2016 – 4.72 years).

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8. Equity (cont'd)**b) Share purchase options (cont'd)**

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period ended August 31, 2017 and 2016:

	2017	2016
Risk-free interest rate	1.56%	-
Expected life of options	5 years	-
Expected annualized volatility	149.61%	-
Expected dividend rate	-	-

c) Warrants

The continuity of share purchase warrants for the period ended August 31, 2017 is as follows:

	Outstanding Warrants	Weighted Average Exercise Price
Balance, May 31, 2016	-	\$ -
Granted – warrants	16,500,000	0.06
Granted – finder's warrants	410,000	0.06
Balance, May 31, 2017 and August 31, 2017	16,910,000	\$ 0.06

The following weighted average assumptions were used for the Black-Scholes valuation of finder's warrants granted during the period ended August 31, 2017 and the year ended May 31, 2017:

	August 31, 2017	May 31, 2017
Risk-free interest rate	-	0.76%
Expected life of warrants	-	2 years
Expected annualized volatility	-	198.87%
Expected dividend rate	-	-

9. Segmented Information

The Company currently conducts all of its operations in Canada in one business segment being the acquisition and exploration of resource properties.

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10. Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to pursue the development of its projects. The Company is not subject to any externally imposed capital requirements.

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 issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, borrow, acquire or dispose of assets.

11. Financial Instruments and Financial Risk Factors**Financial instruments**

Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of the hierarchy are as follows:

- Level 1: Unadjusted quoted price 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 hierarchal classification of the Company's financial instruments measured at fair value for the period ended August 31, 2017 and the year ended May 31, 2017 is as follows:

August 31, 2017	Level 1	Level 2	Level 3	Total
Cash	\$ 230,066	\$ -	\$ -	\$ 230,066

May 31, 2017	Level 1	Level 2	Level 3	Total
Cash	\$ 362,956	\$ -	\$ -	\$ 362,956

Cash is measured using Level 1. The Company does not have any financial instruments that are measured using Level 2 or Level 3 inputs. During the period ended August 31, 2017, there were no transfers between Level 1, Level 2, and Level 3 classified assets and liabilities.

The Company's financial instruments are exposed to certain financial risks, including liquidity risk and foreign exchange risk.

Fair Value

The Company's financial instruments include cash, amounts receivable (excluding GST), due from related party, accounts payable and accrued liabilities, due to related parties, and note payable. Cash is classified as "held for trading" and measured at fair value, amounts receivable and due to related party are classified as "loans and receivables" and measured at amortized cost, while accounts payable and accrued liabilities, due to related parties, and note payable are classified as "other financial liabilities" initially recognized at fair value less directly attributable transactions costs, then subsequently recognized at amortized cost.

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11. Financial Instruments and Financial Risk Factors (cont'd)**Financial instruments (cont'd)****Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. To the extent that the Company does not believe it has sufficient liquidity to meet obligations, it will consider securing additional equity funding, or engage in negotiations to extend terms with creditors. The Company manages liquidity risk through the management of its capital structure (see Note 10).

Foreign Exchange Risk

The Company raises its capital in Canadian dollars. The Company holds its cash mainly in Canadian dollars. The Company minimizes its exposure to foreign currency risk by minimizing the amount of funds in currencies other than the Canadian dollar. The Company does not undertake currency hedging activities. The Company continuously monitors its exposure to foreign exchange risk to determine if any mitigation strategies warrant consideration.

12. Supplemental Information

The Company's significant non-cash transactions during the period ended August 31, 2017 were as follows:

- a) Included in exploration and evaluation assets is \$2,084 which relates to accounts payable and accrued liabilities.
- b) Transferred a fair value of \$4,624 from reserves to capital stock on the exercise of 100,000 stock options.

There were no significant non-cash transactions during the period ended August 31, 2016.

13. Subsequent Events

Subsequent to the period ended August 31, 2017, the Company:

- a) Entered into an option agreement whereby it can acquire a 100% interest in the Mosher Lake property contiguous to its Gowganda West property.
- b) Granted 2,700,000 stock options at an exercise price of \$0.07 for a five-year period to directors, officers, and consultants.