



(Formerly Cap-Ex Iron Ore Ltd.)

CONDENSED INTERIMED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2017

(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

The accompanying unaudited condensed interim consolidated financial statements of the 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 the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

**ML GOLD CORP.
(FORMERLY CAP-EX IRON ORE LTD.)**

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FEBRUARY 28, 2017
(UNAUDITED – EXPRESSED IN CANADIAN DOLLARS)**

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ML GOLD CORP.
(FORMERLY CAP-EX IRON ORE LTD.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

	February 28, 2017	August 31, 2016
	\$	\$
ASSETS		
Current		
Cash	1,645,407	171,821
Amounts receivable (Note 3)	7,796	512,869
Prepaid expenses	51,116	5,853
Total current assets	1,704,319	690,543
Property and equipment (Note 4)	24,013	27,853
Exploration and evaluation properties (Note 5)	1,242,107	478,291
TOTAL ASSETS	2,970,439	1,196,687
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	97,121	414,360
TOTAL LIABILITIES	97,121	414,360
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	35,970,660	33,824,738
Reserves (Note 7)	1,138,863	459,433
Deficit	(34,236,205)	(33,501,844)
TOTAL SHAREHOLDERS' EQUITY	2,873,318	782,327
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,970,439	1,196,687

NATURE AND CONTINUANCE OF OPERATIONS (Note 1)
COMMITMENTS (Note 11)
SUBSEQUENT EVENTS (Note 13)

Approved and authorized by the Board on May 1, 2017.

On behalf of the Board:

/s/ "Andrew Bowering"

Director

/s/ "Graham Harris"

Director

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

ML GOLD CORP.**(FORMERLY CAP-EX IRON ORE LTD.)**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

	For the three months ended		For the six months ended	
	February 28, 2017	February 29, 2016	February 28, 2017	February 29, 2016
	\$	\$	\$	\$
Expenses				
Consulting fees (Note 8)	145,500	4,500	222,920	9,000
Depreciation (Note 4)	1,922	2,714	3,840	5,427
Investor relations	11,776	6,778	26,967	11,408
Office and administration (Note 8)	43,452	8,563	80,667	18,491
Professional fees	13,259	3,820	23,183	6,920
Property investigation costs	11,200	-	11,200	-
Share-based compensation (Note 8)	29,680	-	334,713	-
Travel and related	9,149	-	14,531	2,325
	(265,938)	(26,375)	(718,021)	(53,571)
Loss on settlement of debt	(16,340)	-	(16,340)	-
Loss on disposal of property and equipment (Note 4)	-	-	-	(27,584)
Recovery (impairment) of exploration and evaluation properties (Note 5)	-	(46,750)	-	186,655
	(16,340)	(46,750)	(16,340)	159,071
Net income (loss) and comprehensive income (loss) for the period	(282,278)	(73,125)	(734,361)	105,500
Basic and diluted income (loss) per share	(0.00)	(0.00)	(0.01)	0.00
Weighted average number of common shares outstanding	66,055,518	36,391,999	56,601,760	36,391,999

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

ML GOLD CORP.**(FORMERLY CAP-EX IRON ORE LTD.)**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

	For the six months ended	
	February 28, 2017	February 29, 2016
	\$	\$
Cash flows from operating activities		
Income (loss) for the period	(734,361)	105,500
Items not affecting cash:		
Depreciation	3,840	5,427
Share-based compensation	334,713	-
Recovery of exploration and evaluation properties	-	(186,655)
Loss on disposal on property and equipment	-	27,584
Loss on settlement of debt	16,340	-
Changes in non-cash working capital items		
Amounts receivable	19,063	1,283
Prepaid expenses	(45,263)	(6,946)
Accounts payable and accrued liabilities	29,199	(40,005)
	(376,469)	(93,812)
Cash flows from investing activities		
Exploration and evaluation property expenditures	(1,053,254)	(10,829)
Proceeds on disposal of property and equipment	-	14,000
	(1,053,254)	3,171
Cash flows for financing activities		
Proceeds from share issuances	2,649,010	-
Share issuance costs	(74,076)	-
Warrants exercised	162,625	-
Stock options exercised	165,750	-
	2,903,309	-
Net change in cash	1,473,586	(90,641)
Cash, beginning of the period	171,821	301,836
Cash, end of the period	1,645,407	211,195
Supplemental cash flow information		
Reclassification of warrants exercised	63,906	-
Reclassification of stock options exercised	228,098	-
Reclassification of expired stock options	-	170,796
Shares issued in debt settlement	57,000	-
Exploration and evaluation assets in accounts payable and accrued liabilities	13,176	44,100
Value of warrants issued in private placement	620,381	-
Value of warrants issued in shares for debt settlement	16,340	-

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

ML GOLD CORP.**(FORMERLY CAP-EX IRON ORE LTD.)****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)**

	Number of Shares Issued #	Share Capital \$	Reserves \$	Deficit \$	Total Shareholders' Equity \$
Balance at August 31, 2015	36,391,999	33,374,268	504,865	(33,634,718)	244,415
Stock options cancelled	-	-	(170,796)	170,796	-
Income for the period	-	-	-	105,500	105,500
Balance at February 29, 2016	36,391,999	33,374,268	334,069	(33,358,422)	349,915
Shares issued in private placement	10,000,000	426,720	173,280	-	600,000
Shares issued for exploration and evaluation properties	250,000	23,750	-	-	23,750
Stock options cancelled	-	-	(27,864)	27,864	-
Warrants cancelled	-	-	(20,052)	20,052	-
Loss for the period	-	-	-	(191,338)	(191,338)
Balance at August 31, 2016	46,641,999	33,824,738	459,433	(33,501,844)	782,327
Shares issued in private placement	18,025,000	1,542,619	620,381	-	2,163,000
Shares for debt settlement	475,000	57,000	16,340	-	73,340
Share issuance costs	-	(74,076)	-	-	(74,076)
Stock options exercised	1,800,000	390,723	(228,098)	-	162,625
Warrants exercised	1,841,667	229,656	(63,906)	-	165,750
Stock options granted	-	-	334,713	-	334,713
Loss for the period	-	-	-	(734,361)	(734,361)
Balance at February 28, 2017	68,783,666	35,970,660	1,138,863	(34,236,205)	2,873,318

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

ML GOLD CORP.

(FORMERLY CAP-EX IRON ORE LTD.)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2017

(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

1. NATURE AND CONTINUANCE OF OPERATIONS

ML Gold Corp. (formerly Cap-Ex Iron Ore Ltd.) (the "Company") was incorporated under the Canada Business Corporations Act (CBCA) on February 27, 2007 and is listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol V.MLG. The Company's business is to acquire, explore and develop interests in mineral properties located in North America.

The Company's registered office is Suite 650 – 1188 West Georgia Street, Vancouver, BC, Canada, V6E 4A2. The Company maintains an executive office at Suite 2000 – 1177 West Hastings Street, Vancouver, BC, Canada, V6E 2K3.

The Company's exploration and evaluation properties are at the exploration and evaluation stage and are without a known body of commercial ore. 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, to acquire construction and operating permits and to construct mining and processing facilities.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of operations of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, political uncertainty and currency exchange fluctuations and restrictions.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at February 28, 2017, the Company had not advanced any of its properties to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. The Company may require additional financing for the upcoming fiscal year in order to maintain its operations and exploration activities. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

The following is a summary of significant accounting policies used in the preparation of these condensed interim consolidated financial statements.

Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting", using accounting policies that are consistent and in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") that are in effect at February 28, 2017.

These condensed interim consolidated financial statements were reviewed, approved and authorized for issue by the Board of Directors on May 1, 2017.

ML GOLD CORP.**(FORMERLY CAP-EX IRON ORE LTD.)**

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2017

(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**Basis of presentation**

These condensed interim consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The condensed interim consolidated financial statements are presented in Canadian dollars unless otherwise noted.

The accounting policies applied in preparation of these condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's annual audited financial statements for the year ended August 31, 2016, with the exception of certain amendments to accounting standards issued by the IASB, which were applicable from September 1, 2016. These amendments did not have a significant impact on the Company's condensed interim consolidated financial statements.

The Company's interim results are not necessarily indicative of its results for a full year.

Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, ML Nevada Corp. All significant intercompany accounts and transactions between the Company and its subsidiary have been eliminated upon consolidation.

Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than Canadian dollars are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the period end exchange rate while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in comprehensive loss.

Use of estimates

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

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation properties, valuation of share-based compensation, and recognition of deferred tax amounts.

ML GOLD CORP.

(FORMERLY CAP-EX IRON ORE LTD.)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2017

(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)

Use of estimates (continued)

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation properties

Management determined exploration, evaluation, and related costs incurred which are capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forecasted dividend rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

Accounting pronouncements not yet adopted

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the period ended February 28, 2017 and have not been applied in preparing these condensed interim consolidated financial statements. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's financial statements for the year ending August 31, 2018 or later:

- IAS 12 – Income Taxes: amendments to IAS 12 to clarify the recognition of a deferred tax asset for unrealized losses. The standard is effective for annual periods beginning on or after January 1, 2017.
- IFRS 9 – Financial Instruments: Applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not expect any effect on the Company's financial statements.
- IFRS 16 – Leases: 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 standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019.

ML GOLD CORP.
(FORMERLY CAP-EX IRON ORE LTD.)
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2017
(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

3. AMOUNTS RECEIVABLE

	February 28, 2017	August 31, 2016
	\$	\$
Sales tax receivable	7,796	26,859
Share subscriptions receivable (Note 6)	-	486,010
	7,796	512,869

4. PROPERTY AND EQUIPMENT

	Computer hardware \$	Equipment \$	Vehicles \$	Total \$
Cost:				
At August 31, 2015, August 31, 2016, and February 28, 2017	29,462	24,740	101,524	155,726
Depreciation:				
At August 31, 2015	28,684	15,208	73,127	117,019
Charge for the year	429	1,906	8,519	10,854
At August 31, 2016	29,113	17,114	81,646	127,873
Charge for the period	96	762	2,982	3,840
At February 28, 2017	29,209	17,876	84,628	131,713
Net book value:				
At August 31, 2016	349	7,626	19,878	27,853
At February 28, 2017	253	6,864	16,896	24,013

ML GOLD CORP.**(FORMERLY CAP-EX IRON ORE LTD.)**

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2017

(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

5. EXPLORATION AND EVALUATION PROPERTIES

	Schefferville	Later	Aspen	Palmetto	Total
	\$	\$	\$	\$	\$
Balance, August 31, 2015	1	-	-	-	1
Property acquisition costs	-	-	23,750	-	23,750
<i>Exploration expenditures:</i>					
Camp accommodation	-	30,537	-	-	30,537
Drilling	-	324,065	-	-	324,065
Equipment	-	53,738	-	-	53,738
Geological	-	46,200	-	-	46,200
Balance, August 31, 2016	1	454,540	23,750	-	478,291
Property acquisition costs	-	36,416	100,676	244,304	381,396
<i>Exploration expenditures:</i>					
Camp accommodation	-	-	21,298	-	21,298
Drilling	-	-	189,565	-	189,565
Equipment	-	-	13,910	-	13,910
Geological	-	8,678	25,573	123,396	157,647
Balance, February 28, 2017	1	499,634	374,772	367,700	1,242,107

Schefferville Properties

In 2011, the Company acquired a 100% interest in a number of properties. These properties are subject to certain royalty interests and NSR's. In fiscal 2014, the Company wrote down the properties to \$350,000 based on the proceeds received from Tata Steel Minerals Canada Limited ("TSMC") as described below.

In September 2014, the Company entered into an agreement with TSMC in respect of roadway access and direct shipping iron ore exploration over the Company's Schefferville property located in Western Labrador. Pursuant to the agreement, the Company agreed to assist TSMC in obtaining surface rights for a roadway through the property to connect adjoining properties of TSMC. TSMC is solely responsible for all work, costs and expenses required to build the roadway and for continued use of roadway, including maintenance. Furthermore, TSMC also agreed on the following terms:

- Pay \$350,000 (received) to the Company on execution of the agreement;
- Incur \$450,000 of exploration costs no later than September 30, 2015 (incurred)

TSMC had the right to advise the Company on or before September 30, 2015 that they would enter into a joint venture agreement in connection with the Schefferville property. If TSMC should not wish to continue with certain exploration work or both parties not agree on a joint venture agreement, TSMC would pay \$200,000 to the Company in full satisfaction of its exploration commitment.

In March 2016, the Company entered into a final settlement agreement with TSMC whereby the \$200,000 was paid to the Company in monthly installments from March 2016 through to August 2016. The Company had incurred certain incidental costs on the properties of \$60,895 as well as recovering an additional \$14,000 resulting in a net recovery of \$153,105.

ML GOLD CORP.**(FORMERLY CAP-EX IRON ORE LTD.)**

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2017

(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

5. EXPLORATION AND EVALUATION PROPERTIES (CONTINUED)**Later Gold-Copper Property**

In July 2016, the Company entered into a mineral property option agreement with Pacific Empire Minerals Corp. whereby the Company was granted the option to acquire up to a 70% interest in the Later Gold-Copper Property located in central British Columbia. Pursuant to the terms of the agreement, the Company can earn an initial 51% interest in the Property over a four year option term by completing \$2,000,000 in exploration expenditures on the Property and issuing 1,000,000 common shares of the Company as follows:

Expenditure deadline	Expenditure requirement (\$)	Share issuance requirement
July 28, 2017	(completed) 150,000	-
July 28, 2018	(completed) 250,000	200,000
July 28, 2019	600,000	300,000
July 28, 2020	1,000,000	500,000
Total Requirement	2,000,000	1,000,000

Upon completion of the 51% earn-in, the Company can earn an additional 19% interest in the Property (for a total interest of 70%) by issuing an additional 500,000 common shares and incurring a further \$3,000,000 in property expenditures within two years.

Aspen Gold Property

In July 2016, the Company entered into an agreement (later amended in October 2016) with a related company (Note 8) to acquire a 90% interest in the Aspen Gold Property located in central British Columbia. The related party will retain a 10% interest in the Property. Under the terms of the amended agreement, the purchase price for the interest will be \$100,000 (paid).

In August 2016, the Company entered into a mineral property exploration rights and sales agreement with TTM Resources Inc. ("TTM") to purchase a 100% interest in three claims adjoining the south-eastern part of the Company's Aspen Property. Pursuant to the terms of the agreement, the Company must pay TTM \$25,000 (paid), issue 250,000 common shares (issued – Note 6) and grant TTM a 2% NSR on the property. The Company may reduce the NSR to 1.0% by paying \$500,000 to TTM. Pursuant to the exploration right granted under the agreement, the Company has the sole right to explore claims until November 30, 2017, at which time, it must make an offer regarding option, purchase or joint venture of the claims.

Palmetto Property

In October 2016, the Company entered into an option agreement to acquire a 100% right, title and interest to unpatented mining claims (the "Palmetto Project") located in Nevada. In order to exercise the option and acquire the Palmetto Project, the Company must complete the following:

Payment Date	Cash payment (US\$)
October 15, 2016 (paid)	50,000
December 14, 2016 (paid subsequently)	100,000
October 15, 2017	150,000
October 15, 2018	150,000
October 15, 2019	1,000,000
Total Requirement	1,450,000

Upon full payment of the option schedule above, the Company will acquire the Palmetto Project free and clear of any royalties.

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NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(UNAUDITED - EXPRESSED IN CANADIAN DOLLARS)

6. SHARE CAPITAL

Authorized share capital

Unlimited common shares without par value.

Issued share capital

On August 31, 2016, the Company closed a non-brokered private placement for gross proceeds of \$600,000 which consisted of the issuance of 10,000,000 units at a price of \$0.06 per unit. Each unit consisted of one common share and one half share purchase warrant. Each whole warrant is exercisable for a two year term at an exercise price of \$0.09 per warrant. The warrants were valued at \$173,280 using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk-free rate of 0.58%, volatility of 201%, and nil forecasted dividend yield.

On August 31, 2016, the Company issued 250,000 common shares (valued at \$23,750) pursuant to the mineral exploration rights and sale agreement with TTM (Note 5).

On November 28, 2016, the Company closed a non-brokered private placement for gross proceeds of \$2,220,000 which consisted of the issuance of 18,500,000 units at a price of \$0.12 per unit. Each unit consisted of one common share and one half share purchase warrant. Each whole warrant is exercisable for a two year term at an exercise price of \$0.20 per warrant. The warrants were valued at \$636,721 using the Black-Scholes pricing model with the following assumptions: estimated life of two years, risk-free rate of 0.70%, volatility of 220%, and nil forecasted dividend yield. Part of the private placement included 475,000 units issued to settle accounts payable of \$57,000 and the Company recorded a loss of \$16,340 related to the settlement.

7. RESERVES

Stock options

The Company has a stock option plan ("the Plan") whereby it can grant options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Company. Vesting and term of the option is determined by the board of directors in accordance with the Plan and the policies of the TSX-V.

During the year ended August 31, 2016, 200,000 stock options expired unexercised and 330,000 stock options were forfeited and, as a result, \$198,660 was reclassified from reserves to deficit.

During the six months ended February 28, 2017, 1,800,000 stock options were exercised, as a result, \$228,098 was reclassified from reserves to share capital.

On September 2, 2016, the Company granted 3,350,000 five-year stock purchase options exercisable at \$0.10 per option valued at \$305,033 estimated using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk free interest rate of 0.59%, volatility of 183%, and nil forecasted dividend yield. All options vested immediately on grant.

On December 15, 2016, the Company granted 200,000 five-year stock purchase options exercisable at \$0.15 per option valued at \$29,680 estimated using the Black-Scholes pricing model with the following assumptions: estimated life of five years, risk free interest rate of 1.16%, volatility of 180%, and nil forecasted dividend yield. All options vested immediately on grant.

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FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 28, 2017
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7. RESERVES (CONTINUED)

Stock options (continued)

A summary of stock option activities is as follows:

	Number of options #	Weighted average exercise price \$
Balance, August 31, 2015	1,830,000	0.06
Cancelled	<u>(530,000)</u>	0.06
Balance, August 31, 2016	1,300,000	0.06
Granted	3,550,000	0.10
Exercised	<u>(1,800,000)</u>	0.09
Balance, February 28, 2017	<u>3,050,000</u>	0.09

A summary of the stock options outstanding and exercisable at February 28, 2017 is as follows:

Exercise Price \$	Number Outstanding and Exercisable	Expiry Date
0.08	20,000	February 6, 2018
0.08	300,000	June 5, 2018
0.05	455,000	October 20, 2019
0.10	2,125,000	September 2, 2021
0.15	<u>150,000</u>	December 15, 2021
	<u>3,050,000</u>	

Warrants

During the year ended August 31, 2016, 1,000,000 warrants expired and as a result, \$20,052 was reclassified from reserves to deficit.

During the six months ended February 28, 2017, 1,841,667 warrants were exercised and as a result, \$63,906 was reclassified from reserves to share capital.

A summary of share purchase warrant activities is as follows:

	Number of warrants	Weighted average exercise price \$
Balance, August 31, 2015	1,000,000	0.05
Issued	5,000,000	0.09
Expired	<u>(1,000,000)</u>	0.05
Balance, August 31, 2016	5,000,000	0.09
Issued	9,250,000	0.20
Exercised	<u>(1,841,667)</u>	0.09
Balance, February 28, 2017	<u>12,408,333</u>	0.17

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7. RESERVES (CONTINUED)

Warrants (continued)

A summary of the warrants outstanding at February 28, 2017 is as follows:

<u>Exercise Price</u>	<u>Number Outstanding</u>	<u>Expiry Date</u>
\$		
0.09	3,158,333	August 31, 2018
0.20	<u>9,250,000</u>	November 28, 2018
	<u>12,408,333</u>	

8. RELATED PARTY TRANSACTIONS

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors (executive and non-executive) of the Company.

In July 2016, the Company entered into an agreement (later amended in October 2016) with a company controlled by an officer and directors, to acquire a 90% interest in the Aspen Property (Note 5).

As at February 28, 2017, the Company has \$7,269 (August 31, 2016 - \$302,614) included in accounts payable and accrued liabilities due to companies controlled by officers and directors.

Summary of key management personnel compensation:

	For the six months ended	
	February 28,	
	2017	2016
	\$	\$
Consulting fees	33,000	9,000
Share-based compensation	250,401	-
	283,901	9,000

In addition, the following amounts were incurred with respect to officers, directors and companies controlled by officers and directors:

	For the six months ended	
	February 28,	
	2017	2016
	\$	\$
Exploration and evaluation property expenditures	311,083	44,500
Property investigation costs	11,200	-
Rent	27,000	18,000
	349,283	62,500

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9. CAPITAL MANAGEMENT

The Company considers its capital structure to include the components of shareholders' equity. Management's objective is to ensure that there is sufficient capital to minimize liquidity risk and to continue as a going concern. As the Company's properties are in the exploration and evaluation stage, the Company is currently unable to self-finance its operations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future, or that the terms of such financings will be favourable.

The Company's share capital is not subject to any external restrictions. The Company did not change its approach to capital management during the period ended February 28, 2017.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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 Company's financial instruments consist of cash, amounts receivable and accounts payable and accrued liabilities. The fair value of these financial instruments, other than cash, approximates their carrying values due to the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and commodity price risk.

a) **Currency risk**

The Company conducts exploration and evaluation activities in the United States. As such, it is subject to risk due to fluctuations in the exchange rates for the Canadian and US dollars. As at February 28, 2017, the Company does not have any significant monetary assets or liabilities in US dollars, therefore, the Company has determined that there is very limited currency risk at this time.

b) **Credit risk**

Credit risk is risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions and amounts receivable is due from the Government of Canada. The Company's financial instrument related to the sales tax receivable is not exposed to significant credit risk.

c) **Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds cash.

d) **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt 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.

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10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

e) Commodity price risk

The ability of the Company to explore and evaluate its exploration and evaluation properties and the future profitability of the Company are directly related to the price of gold. The Company monitors iron and gold prices to determine the appropriate course of action to be taken.

11. COMMITMENTS**Management Contracts**

In June and July 2013, the Company signed five separate consulting agreements with certain officers and directors of the Company to provide management consulting and exploration services to the Company for a period of 5 years. The agreements require total combined payments of \$60,000 per month. Included in each agreement is a provision for a two year payout in the event of termination without cause and a two year payout in the event of a change in control. Beginning in January 2014, the Company, and the officers and directors of the Company agreed to temporarily suspend the monthly payments for an indefinite period.

During the year ended August 31, 2016, the Company incurred a one-time payment of \$50,000 to a former director of the Company (who resigned in June 2016).

During the six months ended February 28, 2017, all consulting agreements were terminated by mutual agreement of all parties involved.

12. SEGMENTED INFORMATION

The Company has one operating segment, being the acquisition and exploration of exploration and evaluation assets. Geographic information is as follows:

	As at February 28, 2017		
	Canada	US	Total
	\$	\$	\$
Property and equipment	24,013	-	24,013
Exploration and evaluation assets	874,407	367,700	1,242,107
	898,420	367,700	1,266,120

	As at August 31, 2016		
	Canada	US	Total
	\$	\$	\$
Property and equipment	27,853	-	27,853
Exploration and evaluation assets	478,291	-	478,291
	506,144	-	506,144

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13. SUBSEQUENT EVENTS

- a. In March 2017, the Company granted 2,000,000 stock options to certain officers, directors, and consultants of the Company for a term of five years exercisable at a price of \$0.22 per common share.
- b. In April 2017, the Company entered into a binding letter of intent (the "LOI") with Accend Capital Corporation ("Accend") to sell 100% of the Company's Schefferville property (the "Transaction"). In consideration for the sale of Schefferville property, the Company will receive a series of cash payments and share issuances as follows:

Date	Consideration
Closing:	A cash payment of \$200,000 and the issuance of 12,000,000 common shares of Accend (the "Consideration Shares").
Two-year Anniversary of Closing:	A cash payment of \$800,000 (the Company will be entitled to receive 10% of the gross proceeds of any financing completed by Accend following closing of the Transaction as a credit towards this payment).
Completion of Pre-Feasibility Study on the Property:	A cash payment of \$5,000,000, or at the election of Accend an equivalent value of common shares of Accend.
Completion of Bankable Feasibility Study on the Property:	A cash payment of \$15,000,000 or, at the election of Accend, an equivalent value of common shares of Accend.

The LOI calls on the parties to enter into a definitive agreement and provides for a due diligence period ending May 31, 2017. The Transaction is expected to act as Accend's "Qualifying Transaction" as that term is defined in the policies of the TSX-V.

The Transaction and associated transactions are subject to regulatory approval including the approval of the TSX-V.

- c. In April 2017, the Company granted 500,000 stock options to certain consultants of the Company for a term of five years exercisable at a price of \$0.22 per common share.
- d. Subsequent to February 28, 2017:
 - i. 1,850,000 warrants were exercised for total proceeds of \$227,000;
 - ii. 100,000 stock options were exercised for total proceeds of \$5,000; and
 - iii. 425,000 stock options were cancelled.