

TROYMET EXPLORATION CORP.

INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED OCTOBER 31, 2016 and 2015
(Expressed in Canadian Dollars)

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Independent Auditor's Report

To the Shareholders of Troymet Exploration Corp

We have audited the accompanying consolidated financial statements of Troymet Exploration Corp and its subsidiary, which comprise the consolidated statements of financial position as at October 31, 2016 and October 31, 2015, and the consolidated statements of net and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Troymet Exploration Corp and its subsidiary as at October 31, 2016 and October 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which describes the material uncertainties that may cast significant doubt about the ability of Troymet Exploration Corp to continue as a going concern.

"Crowe MacKay LLP"

**Chartered Professional Accountants
Vancouver, British Columbia
January 25, 2017**

TROYMET EXPLORATION CORP.
Consolidated Statements of Financial Position
as at October 31
(Expressed in Canadian Dollars)

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 5)	\$ 298,677	\$ 1,176,273
Accounts receivable	15,036	12,138
Prepaid expenses	5,515	4,384
	319,228	1,192,795
RECLAMATION ADVANCES (Note 6)	34,580	5,000
MINERAL EXPLORATION AND EVALUATION ASSETS (Note 7)	2,144,093	1,414,413
INVESTMENT IN MCCLARTY LAKE (Note 8)	1	1,565,118
	\$ 2,497,902	\$ 4,177,326
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 11)	\$ 32,211	\$ 27,616
EQUITY		
SHARE CAPITAL (Note 9)	9,159,714	9,159,714
RESERVE (Note 10)	1,054,056	1,004,482
DEFICIT	(7,775,619)	(6,014,486)
ACCUMULATED OTHER COMPREHENSIVE INCOME		
- CUMULATIVE TRANSLATION ADJUSTMENTS	27,540	-
	2,465,691	4,149,710
	\$ 2,497,902	\$ 4,177,326

Approved on behalf of the Board of Directors:

<p><i>"Kieran Downes"</i></p> <p>..... Director</p> <p>Kieran Downes</p>	<p><i>"David Billard"</i></p> <p>..... Director</p> <p>David Billard</p>
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See accompanying notes to the consolidated financial statements.

TROYMET EXPLORATION CORP.
Consolidated Statements of Net and Comprehensive Loss
For the Years Ended October 31
(Expressed in Canadian Dollars)

	2016	2015
EXPENSES		
Foreign exchange	\$ 7,521	\$ -
General and administration	22,584	17,923
General exploration	-	22,107
Impairment of investment in McClarty Lake (note 8)	1,565,117	-
Impairment of exploration and evaluation assets (note 7)	-	1,782,794
Management fees (note 11)	24,000	64,738
Professional fees	26,799	57,429
Public company costs	58,079	58,537
Share based compensation (notes 9 and 11)	49,574	13,301
Travel and related costs	12,003	11,540
	1,765,677	2,028,369
LOSS BEFORE FINANCE INCOME	(1,765,677)	(2,028,369)
FINANCE INCOME	4,544	12,880
NET LOSS	(1,761,133)	(2,015,489)
OTHER COMPREHENSIVE INCOME		
Exchange difference on translating foreign operations	27,540	-
COMPREHENSIVE LOSS	\$ (1,733,593)	\$ (2,015,489)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	121,856,225	121,856,225
BASIC AND DILUTED INCOME (LOSS) PER SHARE	\$ (0.01)	\$ (0.02)

See accompanying notes to the consolidated financial statements.

TROYMET EXPLORATION CORP.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Number of Common Shares	Share Capital	Reserve	Deficit	Accumulated Other Comprehensive Income	Total Equity
Balance, October 31, 2014	121,856,225	\$ 9,159,714	\$ 991,181	\$ (3,998,997)	\$ -	\$ 6,151,898
Stock options granted	-	-	13,301	-	-	13,301
Loss for the year	-	-	-	(2,015,489)	-	(2,015,489)
Balance, October 31, 2015	121,856,225	9,159,714	1,004,482	(6,014,486)	-	4,149,710
Stock options granted	-	-	49,574	-	-	49,574
Loss for the year	-	-	-	(1,761,133)	-	(1,761,133)
Exchange difference on translating foreign operations	-	-	-	-	27,540	27,540
Balance, October 31, 2016	121,856,225	\$ 9,159,714	\$ 1,054,056	\$ (7,775,619)	\$ 27,540	\$ 2,465,691

See accompanying notes to the consolidated financial statements.

TROYMET EXPLORATION CORP.
Consolidated Statements of Cash Flows
For the Years Ended October 31
(Expressed in Canadian Dollars)

	2016	2015
OPERATING ACTIVITIES		
Net loss	\$ (1,761,133)	\$ (2,015,489)
Items not involving cash		
Share based compensation	49,574	13,301
Impairment of investment in McClarty Lake	1,565,117	-
Impairment of exploration and evaluation assets	-	1,782,794
	(146,442)	(219,394)
Changes in non-cash working capital		
Accounts receivable	(2,898)	(5,305)
Prepaid expenses	(1,131)	(688)
Accounts payable and accrued liabilities	3,792	(5,040)
CASH USED IN OPERATING ACTIVITIES	(146,679)	(230,427)
INVESTING ACTIVITIES		
Investment in mineral exploration and evaluation assets	(726,757)	(402,172)
Reclamation advances	(28,283)	(5,000)
Refund of Mineral Exploration Tax Credit	24,123	4,988
Investment in McClarty Lake	-	(790)
CASH PROVIDED BY INVESTING ACTIVITIES	(730,917)	(402,974)
CHANGE IN CASH	(877,596)	(633,401)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,176,273	1,809,674
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 298,677	\$ 1,176,273
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest received (paid)	\$ 4,544	\$ 3,852
Income tax paid	\$ -	\$ -
Non-cash financing activity:		
Exploration and evaluation expenditures in accounts payable	\$ 12,882	\$ 12,079
CASH AND CASH EQUIVALENTS		
Cash	\$ 112,177	\$ 9,530
GICs	186,500	1,166,743
	\$ 298,677	\$ 1,176,273

See accompanying notes to the consolidated financial statements.

TROYMET EXPLORATION CORP.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2016 and 2015
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Troymet Exploration Corp. (the "Company"), of PO Box 37033 Country Club PO, Nanaimo, British Columbia, was incorporated under the Business Corporations Act (Alberta) on June 4, 2007. A Plan of Arrangement between the Company, Signet Minerals Inc., and Cash Minerals Ltd. was completed on August 7, 2007. The Company was listed on the TSX Venture Exchange on September 20, 2007 and trades under the symbol "TYE".

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company is in the process of exploring and evaluating its mineral exploration and evaluation assets. On the basis of the information to date, it has not yet determined whether these assets contain economically recoverable ore reserves. The underlying value of the mineral exploration and evaluation assets and related deferred costs is entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete development and upon future profitable production. The amounts shown as mineral exploration and evaluation assets and deferred exploration costs represent net costs to date, less any amounts written off, and do not necessarily represent present or future values.

The Company's ability to continue as a going concern is dependent on accessing capital markets, or entering into collaborative agreements that would provide additional financing. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

Realization values may be substantially different from carrying values as shown and these consolidated financial statements do not include any adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

3. BASIS OF PRESENTATION

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board.

Approval of the consolidated financial statements

The consolidated financial statements of the Company for the year ended October 31, 2016, were reviewed by the Audit Committee and authorized for issue on January 25, 2017 by the Board of Directors of the Company.

TROYMET EXPLORATION CORP.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2016 and 2015
(Expressed in Canadian Dollars)

3. BASIS OF PRESENTATION (continued)

Measurement basis

The consolidated financial statements are presented in Canadian dollars. The consolidated financial statements of the Company have been prepared on an accrual basis except for cash flow information, and are based on historical costs, except for certain financial instruments, which are stated at their fair values.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Troymet USA LLC. ("Troymet USA"), which was incorporated in the USA during the year ended October 31, 2015. All intercompany transactions and balances have been eliminated.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Company include the following:

Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements in compliance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amount 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.

Significant accounting estimates

Significant areas requiring the use of management estimates include the determination of impairment of mineral exploration and evaluation assets (including the Company's investment in McClarty Lake), the recoverability and measurement of deferred income tax assets and liabilities, the recognition and valuation of provisions for restoration and environmental liabilities and assumptions used in valuing options in share-based compensation calculations. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

Significant accounting judgments

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year include the Company's going concern assessment, and the determination of Troymet USA's functional currency.

TROYMET EXPLORATION CORP.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2016 and 2015
(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral exploration and evaluation

Expenditures incurred before the entity has obtained the legal rights to explore a specific area are expensed. Expenditures related to the development of mineral resources are not recognized as exploration and evaluation assets. Expenditures related to development are accounted for as an asset only when technical feasibility and commercial viability of a specific area are demonstrable and when recognition criteria of IAS 16, *Property, Plant and Equipment* or IAS 38, *Intangible Assets* are met.

All costs directly associated with property acquisition and exploration activities are capitalized as exploration and evaluation assets. Costs that are capitalized are limited to costs related to the acquisition and exploration activities that can be associated with finding specific mineral resources, and do not include costs related to production, and administrative expenses and other general indirect costs.

Costs related to the acquisition of mineral property interests and to exploration and evaluation expenditures are capitalized until the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. When the technical feasibility and commercial viability of extracting a mineral resource become demonstrable, exploration and evaluation assets will be reclassified as mining assets under development. Exploration and evaluation assets will be assessed for impairment before reclassification, and any impairment loss will then be recognized.

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral property interest, as consideration, for an agreement by transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral property interest given up by the Company, with any excess cash accounted for as a gain on disposal.

Impairment of non-financial assets

Exploration and evaluation assets are tested for recoverability whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable and at each reporting date. The recoverability tests are carried out on a property-by-property basis. Impairment of a property is generally considered to have occurred if one of the following factors are present: the rights to explore have expired or are near to expiry with no expectation of renewal, no further substantive expenditures are planned, exploration work is discontinued in an area for which commercially viable quantities have not been discovered, or there are indications in an area with development likely to proceed that the carrying amount is unlikely to be recovered in full by development or sale.

The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. An impairment loss is recognized in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. Value in use is determined using discounted estimated future cash flows of the relevant asset. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows, which are cash-generating units. The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

TROYMET EXPLORATION CORP.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2016 and 2015
(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash equivalents consist of highly liquid investments which are readily convertible into cash and are subject to an insignificant risk of change in value. Interest from cash is recorded on an accrual basis.

Functional and Presentation Currency

The functional currency is the currency of the primary economic environment in which the entity operates. The functional and presentation currency of the Company is the Canadian dollar while the functional currency of its subsidiary is the United States (“US”) 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 and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the year in which they arise.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss). Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Parent and Subsidiary Companies

The financial results and position of foreign operations whose functional currency is different from the presentation currency are translated as follows:

- Assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- Income and expenses are translated at monthly average exchange rates during the period.

Exchange differences arising on translation of foreign operations are transferred directly to the Group’s exchange difference on translating foreign operations on the Statement of Comprehensive Income (Loss) and are reported as a separate component of shareholders’ equity titled “Cumulative Translation Adjustments”. These differences are recognized in the profit or loss in the year in which the operation is disposed of.

TROYMET EXPLORATION CORP.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2016 and 2015
(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of net and comprehensive loss. Current tax expense (recovery) is the expected tax payable on the taxable income (loss) for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and, where appropriate, the risks specific to the liability.

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost. Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred.

At each financial reporting date presented, the Company has not incurred any decommissioning costs related to the mineral exploration and evaluation assets and, accordingly, no provision has been recorded for such site reclamation or abandonment.

TROYMET EXPLORATION CORP.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2016 and 2015
(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity issuances

The proceeds from equity issuances are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to share capital based on the fair value of the common shares and any residual value is allocated to common share purchase warrants.

Share-based compensation

The Company has a stock option plan that is described in Note 9(c).

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument on the date of grant using the Black-Scholes option pricing model. The grant date fair value is recognized in net loss over the vesting period, described as the period during which all the vesting conditions are satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in net loss, unless they are related to the issuances of shares. Amounts related to the issuances of shares are recorded as a reduction of share capital. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is determined using the Black-Scholes option pricing model. The fair value of direct awards of stock is determined by the quoted market price of the Company's stock. The amount recognized as expense is adjusted to reflect the number of stock options expected to vest. For both employees and non-employees, where the terms and conditions are modified before they vest, the increase in the fair value of the options, measured immediately before and after modification, is also charged to share based compensation in net loss over the remaining vesting period.

Basic and diluted loss per share

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common shares. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

TROYMET EXPLORATION CORP.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2016 and 2015
(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Flow-through shares

The Company finances a portion of its exploration activities through the issue of flow-through shares.

The Company provides certain share subscribers with a flow-through component for tax incentives available on qualifying Canadian exploration expenditures. The Company renounces the qualifying expenditures upon issuance of the respective flow-through common shares and accordingly is not entitled to the related taxable income deductions for such expenditures, giving rise to taxable temporary differences for accounting purposes. A portion of the deferred income tax assets that were not recognized in previous years are recognized as recovery of income taxes in the statement of net and comprehensive loss.

The shares issued require that the Company make certain qualifying expenditures for tax purposes within the year of issuance, the deduction of which flow through to the shareholders.

The proceeds from issuing flow-through shares are allocated between the offering of shares and the sale of tax benefits. The allocation is based on the difference (“premium”) between the quoted price of the Company’s existing shares and the amount the investor pays for the actual flow-through shares. A liability is recognized for the premium (“other liability”), and is reversed into net loss as a deferred tax recovery when the eligible expenditures are incurred, and the Company has enough available unused non-capital losses. If the flow-through shares are not issued at a premium, a liability is not recorded.

Financial instruments

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss (“FVTPL”) - This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in net loss. Cash and cash equivalents is classified as FVTPL.

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 less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Reclamation advance is classified as loans and receivables.

TROYMET EXPLORATION CORP.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2016 and 2015
(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in net loss.

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 directly in equity. 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 equity and recognized in net loss.

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

All financial assets except for those classified as FVTPL are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are disclosed above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. The Company's accounting policy for each category is as follows:

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

Other financial liabilities: This category includes accounts payables and accrued liabilities. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

TROYMET EXPLORATION CORP.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2016 and 2015
(Expressed in Canadian Dollars)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards issued but not yet effective

The Company is currently evaluating the impact that these new accounting standards are expected to have on its consolidated financial statements.

Amendments to IAS 7 Statement of Cash Flows

These amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This amendment is effective for reporting periods beginning on or after January 1, 2017.

Amendments to IFRS 7 Financial Instruments

The amendment clarifies the applicability of the amendments to IFRS 7 Disclosure—Offsetting Financial Assets and Financial Liabilities to condensed interim financial statements. This amendment is effective for reporting periods beginning on or after January 1, 2016.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. Additional amendments include introduction of new hedge accounting model and a new expected-loss impairment model. This standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise 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.

TROYMET EXPLORATION CORP.
Notes to the Consolidated Financial Statements
For the Years Ended October 31, 2016 and 2015
(Expressed in Canadian Dollars)

5. CASH AND CASH EQUIVALENTS

At October 31, 2016, the Company held two Guaranteed Investment Certificates ("GIC's") with a total value of \$186,500 (2015 - \$1,166,743).

The two GICs are cashable, have principal amounts of \$29,509 and \$154,151 respectively, bear interest at 0.68% and 0.59%, and mature on December 16, 2016 and March 22, 2017.

Included in the balance of cash and cash equivalents is \$2,840 of accrued interest (2015 - \$9,028).

6. RECLAMATION ADVANCE

During the year ended October 31, 2015, the Company advanced \$5,000 to the Minister of Finance of British Columbia as a security deposit for exploration work on the Redhill property (note 7(c)). The amount is without interest.

During the year ended October 31, 2016, the Company advanced \$22,070 USD to the State of Utah Department of Natural Resources as surety for exploration work on the Wildcat property (note 7(b)). The amount is without interest.

7. MINERAL EXPLORATION AND EVALUATION ASSETS

a) Golden Eagle

Pursuant to an option agreement dated September 24, 2001 the Company acquired a 100% interest in the Golden Eagle property located in British Columbia. The Company has granted the optionor a 1% net smelter royalty ("NSR").

During the year ended October 31, 2015, the Company determined that the Golden Eagle property was impaired. An impairment charge of \$1,782,794 was recognized in net loss for the year ended October 31, 2015, reflecting the exploration expenditures incurred on the property prior to 2009, when the Company moved the exploration target on the property from the Middle Ridge to the Northern Block, where exploration to date has continued.

b) Wildcat

On February 23, 2015, Troymet USA entered into an option agreement with Renaissance Exploration Inc. ("RenEx"). Under the terms of the option, the Company may acquire a 70% interest in the Wildcat gold project located in Utah, by paying RenEx \$50,000 USD in cash (paid), reimbursing claim fees of \$8,219 USD (reimbursed), incurring exploration expenditures of \$3,000,000 USD over seven years and completing a bankable feasibility study. The minimum annual work commitments are as follows:

- \$50,000 USD during the first year of the agreement (spent);
- an additional \$250,000 USD during the second year of the agreement (spent);
- an additional \$350,000 USD during the third year of the agreement; and
- an additional \$500,000 USD during each of the fourth through seventh years of the agreement.

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7. MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

c) Redhill

On July 8, 2015, the Company entered into an option agreement with Homegold Resources Ltd. ("Homegold"). Under the terms of the option, the Company may acquire a 100% interest in the Redhill property located in British Columbia by making option payments as follows:

- \$5,000 upon signing of the agreement (paid);
- \$5,000 on the first (paid) and second anniversaries of the agreement;
- \$10,000 on the third anniversary of the agreement;
- \$40,000 on the fourth through ninth anniversaries of the agreement; and
- \$235,000 on the tenth anniversary of the agreement.

In addition to the option payments, the Company must spend \$500,000 on exploration as follows:

- \$20,000 on or before the first anniversary of the agreement (spent);
- \$50,000 on or before the second anniversary of the agreement (spent);
- \$150,000 on or before the third anniversary of the agreement (spent);
- \$30,000 on or before the fourth through eight anniversaries of the agreement (spent);
- \$30,000 on or before the ninth anniversary of the agreement; and
- \$100,000 on or before the tenth anniversary of the agreement.

If the Company exercises the option, Homegold will retain a 2% NSR, half (1%) of which can be purchased by the Company for \$1,000,000 at any time. In the event of commercial production or sale of 100% of the property, Homegold will receive a bonus payment of \$500,000 in cash or shares at the election of Homegold. Expenditures can be accelerated at the Company's election and excess expenditures in any year will be credited towards future years.

d) Key

On December 10, 2013, the Company completed an asset sale agreement (the "Sale Agreement") with respect to the sale of the Company's 100% interest in the Key Property in British Columbia to New Gold Inc. ("New Gold"). Pursuant to the Sale Agreement, the Company sold its 100% interest in the Key Property, along with associated technical information and permits, for a purchase price of \$2,000,000 in cash. The Company was also granted a 2% NSR on the Key Property, of which 1% (reducing the NSR from 2% to 1%) can be purchased by New Gold for \$2,000,000 in cash. As part of the Sale Agreement, New Gold committed to spend \$1,500,000 on the Key Property. The expenditure commitment was completed during the year ended October 31, 2015.

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7. MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

At October 31, 2016, expenditures incurred on mineral exploration and evaluation assets are as follows:

	Golden			
	Eagle	Wildcat	Redhill	Total
Balance, October 31, 2014	\$ 2,787,944	\$ -	\$ -	\$ 2,787,944
Acquisition Costs	-	100,123	5,000	105,123
Deferred Exploration Costs				
Drilling	-	-	1,549	1,549
Geochemistry / Assays	1,326	37,855	2,685	41,866
Geological	11,017	128,549	59,707	199,273
Geophysical	-	23,085	-	23,085
Transportation and Other	2,711	34,479	6,165	43,355
Total Deferred Exploration Costs	15,054	223,968	70,106	309,128
Mineral Exploration Tax Credit	(4,988)	-	-	(4,988)
Impairment	(1,782,794)	-	-	(1,782,794)
Balance, October 31, 2015	1,015,216	324,091	75,106	1,414,413
Acquisition Costs	-	16,205	5,000	21,205
Deferred Exploration Costs				
Drilling costs	-	163,514	124,968	288,482
Geochemistry / Assays	1,051	51,151	17,658	69,860
Geological	-	141,401	101,729	243,130
Geophysical	-	5,839	68,254	74,093
Transportation and Other	-	26,674	4,116	30,790
Total Deferred Exploration Costs	1,051	388,579	316,725	706,355
Mineral Exploration Tax Credit	(4,264)	-	(19,859)	(24,123)
Cumulative Translation Adjustment	-	26,243	-	26,243
Balance, October 31, 2016	\$ 1,012,003	\$ 755,118	\$ 376,972	\$ 2,144,093

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8. INVESTMENT IN MCCLARTY LAKE

The McClarty Lake property is comprised of five contiguous mineral claims totaling 596 hectares. The Company owns 100% of three of the claims that were staked in 2000 and pursuant to an option agreement between the Company and Hudson Bay Exploration and Development Company Limited ("HBED"), dated February 15, 2000 and amended on September 28, 2000, August 31, 2001, August 31, 2005, and June 28, 2007, the Company had an option to acquire a 60% interest in two claims comprising 252 hectares. As consideration, the Company made option payments totaling \$125,000 to HBED. No further option payments are required.

The Company has fulfilled the expenditure requirements and completed the earn-in requirements of the option agreement by incurring \$800,000 of exploration expenditures on or before August 15, 2008. Pursuant to the option agreement, HBED incurred sufficient expenditures to earn back a 20% interest in the two claims covered by the option agreement by spending \$750,000 on exploration and development. This earn-back was completed in June 2011.

On July 30, 2012, the Company signed an agreement with HBED for joint exploration of the McClarty Lake property. Both companies, having previously incurred expenditures on the McClarty Lake property, agreed to combine their interests and jointly explore the property going forward, with the Company incurring 40% of the expenditures and HBED incurring 60% of the expenditures. No new entity was created upon signing of the agreement. The Company's contribution to the McClarty Lake agreement was its exploration expenditures on the McClarty Lake property of \$1,557,428. Under terms of the agreement, HBED must contribute \$1,151,052 in joint venture expenditures before the Company is required to fund its participating interest.

During the year ended October 31, 2016, the Company incurred additional expenditures of \$nil (2015 - \$790) and recorded an impairment of \$1,565,117 (2015 - \$nil) related to the investment in McClarty Lake as a result of no exploration plan for the foreseeable future by either HBED or the Company.

9. SHARE CAPITAL

a) Authorized

Unlimited number of Common Shares without nominal or par value
Unlimited number of Preferred Shares

The Preferred Shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.

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9. SHARE CAPITAL (continued)

b) Issued

The Company did not issue shares during the years ended October 31, 2016 and 2015.

c) Stock Options

The Company has a Stock Option Plan where the Company may grant options to its directors, officers, key employees and consultants for up to 10% of the outstanding common shares of the Company. Options granted may not exceed a term of 10 years from the date of grant. All options vest when granted unless they are otherwise specified by the Board of Directors or if they are granted for investor relations activities. Options granted for investor relations activities vest over a 12 month period with no more than 25% of the options vesting in any three month period. The Company has issued stock options to acquire common shares as follows:

	Options Outstanding	Weighted Average Exercise Price
Balance at October 31, 2014	6,300,000	\$ 0.13
Expired on November 14, 2014	(1,471,000)	0.12
Expired on January 11, 2015	(1,300,000)	0.12
Granted on January 16, 2015	1,350,000	0.05
Balance at October 31, 2015	4,879,000	0.11
Expired on November 22, 2015	(1,250,000)	0.21
Granted on December 7, 2015	600,000	0.05
Granted on April 4, 2016	2,200,000	0.05
Expired on September 26, 2016	(1,429,000)	0.10
Balance at October 31, 2016	5,000,000	\$ 0.06

Options Outstanding:

A summary of options outstanding at October 31, 2016 is as follows:

Number of Shares Under Option	Number of Options Exercisable	Exercise Price	Expiry Date
850,000	850,000	\$ 0.10	July 9, 2017
1,350,000	1,350,000	\$ 0.05	January 16, 2025
600,000	600,000	\$ 0.05	December 7, 2025
2,200,000	2,200,000	\$ 0.05	April 4, 2026
5,000,000	5,000,000		

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9. SHARE CAPITAL (continued)

c) Stock Options (continued)

Share based compensation

During the year ended October 31, 2016, the Company recognized a share-based compensation expense of \$49,574 (2015 - \$13,301) on the grant and vesting of 2,800,000 stock options to officers and directors of the Company (2015 - 1,350,000). The Company used the Black-Scholes option pricing model with the following assumptions:

	2016		2015	
Share price on date of grant	\$	0.02	\$	0.01
Exercise price	\$	0.05	\$	0.05
Expected life in years		10.00		10.00
Expected annualized share price volatility		175%		170%
Dividend yield		-		-
Risk-free interest rate		1.29%		1.53%
Grant date fair value	\$	0.02	\$	0.01

d) Share Purchase Warrants

The Company had no share purchase warrants outstanding during the years ended October 31, 2016 and 2015.

10. RESERVE

The share-based payment reserve records stock options recognized as share-based payments expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

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11. RELATED PARTY TRANSACTIONS

Key management personal compensation

The Company has paid fees of \$128,800 (2015 - \$120,000) to companies controlled by officers for management, administrative, accounting and technical services. Stock-options with a Black-Scholes fair value of \$42,633 were granted to key management during the year ended October 31, 2016 (2015 - \$11,576). These amounts are included in general and administration expenses and exploration and evaluation assets as outlined below:

	October 31, 2016	October 31, 2015
Short-term compensation:		
Management fees	\$ 24,000	\$ 64,000
Geological	\$ 104,800	\$ 56,000
Share-based payments	\$ 42,633	\$ 11,576

Management fees consisted of \$24,000 (2015 - \$24,000) paid to a company controlled by the Chief Financial Officer and \$nil (2015 - \$40,000) paid to a company controlled by the President and Chief Executive Officer. Geological consisted of \$96,000 (2015 - \$56,000) paid to a company controlled by the President and Chief Executive Officer and \$8,800 (2015 - \$nil) paid to a company controlled by a director.

At October 31, 2016, included in accounts payable and accrued liabilities was \$9,627 (2015 - \$nil) due to a company controlled by a director.

12. FINANCIAL RISK MANAGEMENT

a) Overview

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, and financing activities such as credit risk, liquidity risk and market risk.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management guidelines. The Company's risk management guidelines are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk at year end is as follows:

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12. FINANCIAL RISK MANAGEMENT (continued)

b) Credit Risk (continued)

	October 31, 2016	October 31, 2015
Cash and cash equivalents	\$ 298,677	\$ 1,176,273
Accounts receivable	15,036	12,138
	\$ 313,713	\$ 1,188,411

All of the Company's operations are conducted in Canada and the USA. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty.

The Company limits its exposure to credit risk on cash and cash equivalents by only investing in liquid securities offered by Chartered Banks. Given the credit rating of the bank and the securities owned, management does not expect significant credit losses on cash and cash equivalents.

The Company's accounts receivable consisted entirely of GST receivable at October 31, 2016 and 2015.

As at October 31, 2016 and 2015, the Company's accounts receivable were current (less than 90 days).

The Company believes that all outstanding balances are collectible and therefore there is no allowance for doubtful accounts at October 31, 2016 and 2015.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as much as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements and the growth and development of its mineral exploration and evaluation assets. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 13. Management has increased its focus on liquidity risk given the impact of the current economic and financial market climate on the availability of equity financing.

The Company's financial liabilities are comprised of accounts payable and accrued liabilities. The financial liabilities at October 31, 2016 are summarized below:

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12. FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity Risk (continued)

	Carrying amount	Contractual cash flows	Less than one year	One to two years	Two to five years	More than five years
Non-derivative financial liabilities						
Trade and other payables	\$ 32,211	\$ -	\$ 32,211	\$ -	\$ -	\$ -
	<u>\$ 32,211</u>	<u>\$ -</u>	<u>\$ 32,211</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

d) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company expects the fluctuations in finance income as a result of interest rate fluctuations to be minimal.

e) Commodity Price Risk

The Company's ability to raise the capital required to fund exploration or development activities is subject to risk associated with the market price of gold and base metals and the outlook for these commodities.

f) Fair Value

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for assets or liabilities that are not based on observable market data.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The following table presents the financial instruments recorded at fair value in the consolidated statements of financial position, classified using the fair value hierarchy described above:

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12. FINANCIAL RISK MANAGEMENT (continued)

f) Fair Value (continued)

October 31, 2016	Level 1	Level 2	Level 3
Cash and cash equivalents \$	298,677 \$	-	-
October 31, 2015	Level 1	Level 2	Level 3
Cash and cash equivalents \$	1,176,273 \$	-	-

Due to the short-term maturity of the Company's existing financial assets and liabilities, the carrying value approximates the fair value.

13. MANAGEMENT OF CAPITAL

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic and financial market conditions. The Company considers its capital structure to include shareholders' equity and working capital. In order to maintain or adjust the capital structure, the Company may issue shares and adjust its spending to manage current and projected cash levels.

As the Company is in the exploration stage, it endeavors to manage its capital structure in a manner that provides sufficient funding for operational activities through funds primarily secured through equity capital obtained in private placements. There can be no assurances that the Company will be able to continue raising capital in this manner.

The Company facilitates the management of capital through preparation of annual expenditure budgets and cash forecasts that are updated as necessary. There were no changes in the Company's approach to capital management during the years ended October 31, 2016 and 2015.

The Company is not exposed to externally imposed capital requirements.

14. SEGMENTED INFORMATION

The Company currently operates in a single reportable operating segment, mineral exploration and development. The Company's reportable segments are summarized as follows:

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14. SEGMENTED INFORMATION (continued)

Geographical Segment

October 31, 2016	Canada	USA	Total
Non-current assets	\$ 1,393,976	\$ 784,698	\$ 2,178,674

October 31, 2015	Canada	USA	Total
Non-current assets	\$ 2,660,440	\$ 324,091	\$ 2,984,531

15. INCOME TAXES

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	October 31, 2016	October 31, 2015
Loss before tax	\$ (1,761,133)	\$ (2,015,489)
Expected tax rate	26.00%	26.00%
Income tax recovery computed at statutory rates	(458,000)	(524,000)
Tax effect of expenses that are not deductible	13,000	4,000
Unrecognized benefit of deferred income taxes	445,000	520,000
Total deferred income tax recovery	\$ -	\$ -

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at October 31, 2016 and 2015 are presented below:

	October 31, 2016	October 31, 2015
Deferred income tax assets (liabilities)		
Exploration and evaluation assets	\$ 200,000	\$ (207,000)
Non-capital losses carried forward	824,000	785,000
Share issue costs	-	1,000
	1,024,000	579,000
Unrecognized deferred income tax assets	(1,024,000)	(579,000)
Net deferred income tax assets (liabilities)	\$ -	\$ -

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15. INCOME TAXES (continued)

As at October 31, 2016, the Company has non-capital losses of approximately \$3,161,000 (2015 - \$3,015,000) available for carry-forward to reduce future years' income for income tax purposes. If not used, these losses will expire commencing in 2029.

2029	\$	153,000
2030		574,000
2031		676,000
2032		814,000
2033		534,000
2035		264,000
2036		146,000
	\$	3,161,000