



## **Financial Statements**

**December 31, 2016**

**INDEPENDENT AUDITOR'S REPORT**

**STATEMENTS OF FINANCIAL POSITION**

**STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT**

**STATEMENTS OF COMPREHENSIVE LOSS (INCOME)**

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DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Midasco Capital Corp:

We have audited the accompanying financial statements of Midasco Capital Corp., which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income (loss), changes in shareholders' deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Midasco Capital Corp. as at December 31, 2016 and 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 qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about Midasco Capital Corp.'s ability to continue as a going concern.

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DALE MATHESON CARR-HILTON LABONTE LLP  
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada  
April 27, 2017

**MIDASCO CAPITAL CORP.**  
**STATEMENTS OF FINANCIAL POSITION**

Expressed in Canadian Dollars

	Note	Year ended December 31, 2016	Year ended December 31, 2015
<b>ASSETS</b>		\$	\$
<b>Current assets</b>			
Cash		5,960	31,402
Other receivables		1,192	4,462
Prepaid expenses		-	12,714
<b>TOTAL ASSETS</b>		<b>7,152</b>	<b>48,578</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		97,308	54,471
Due to related parties	6	8,855	-
		<u>106,163</u>	<u>54,471</u>
<b>SHAREHOLDERS' DEFICIT</b>			
Share capital	5	13,668,521	13,668,521
Reserves	5	1,838,157	1,838,157
Accumulated deficit		(15,605,689)	(15,512,571)
		<u>(99,011)</u>	<u>(5,893)</u>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' DEFICIT</b>		<b>7,152</b>	<b>48,578</b>

*The accompanying notes are integral to these financial statements.*

*Nature and continuance of operations (Note 1)*

*Contingencies (Note 5)*

**Approved on Behalf of the Board of Directors:**

/s/ William Pettigrew  
 Director

/s/ Ryan Cheung  
 Director

**MIDASCO CAPITAL CORP.**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIT**  
Expressed in Canadian Dollars

	Share Capital		Reserves			Accumulated Deficit	Total
	Number of Shares	Amount	Equity settled benefits	Warrants	Other		
		\$	\$	\$		\$	\$
<b>Balance December 31, 2014</b>	<b>4,509,827</b>	<b>13,459,190</b>	<b>1,445,965</b>	<b>292,192</b>	<b>100,000</b>	<b>(15,548,183)</b>	<b>(250,836)</b>
Gross proceeds from private placement (note 5)	2,200,000	110,000	-	-	-	-	110,000
Share issuance cost (note 5)	-	(1,750)	-	-	-	-	(1,750)
Related party debt settlement (note 6)	1,010,805	101,081	-	-	-	-	101,081
Income for the year	-	-	-	-	-	35,612	35,612
<b>Balance, December 31, 2015</b>	<b>7,720,632</b>	<b>13,668,521</b>	<b>1,445,965</b>	<b>292,192</b>	<b>100,000</b>	<b>(15,512,571)</b>	<b>(5,893)</b>
Loss for the year	-	-	-	-	-	(93,118)	(93,118)
<b>Balance, December 31, 2016</b>	<b>7,720,632</b>	<b>13,668,521</b>	<b>1,445,965</b>	<b>292,192</b>	<b>100,000</b>	<b>(15,605,689)</b>	<b>(99,011)</b>

*The accompanying notes are integral to these financial statements.*

**MIDASCO CAPITAL CORP.**  
**STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

Expressed in Canadian Dollars

		<b>For the Year Ended</b>	
		<b>December 31</b>	
	Note	<b>2016</b>	2015
		\$	\$
<b>EXPENSES</b>			
Business investigation fees	3	<b>54,140</b>	-
Consulting and management fees	6	<b>1,707</b>	8,525
Investor relations		<b>1,592</b>	3,699
Office and general		<b>3,965</b>	320
Professional fees		<b>17,989</b>	38,536
Transfer agent and filing fees		<b>13,725</b>	11,692
Travel and promotion		-	2,697
		<b>(93,118)</b>	<b>(65,469)</b>
<b>Other comprehensive loss</b>			
Gain on debt settlement	6	-	(101,081)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>(93,118)</b>	<b>35,612</b>
<hr/>			
<b>Weighted Average Number of Shares Outstanding</b>		<b>7,720,632</b>	<b>6,568,261</b>
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<b>Basic and Diluted Earnings (Loss) Per Share</b>		<b>(0.01)</b>	<b>0.01</b>

*The accompanying notes are integral to these financial statements.*

**MIDASCO CAPITAL CORP.**  
**STATEMENTS OF CASH FLOW**  
Expressed in Canadian Dollars

	For the Year Ended	
	December 31	
	2016	2015
	\$	\$
<b>CASH FLOWS USED IN OPERATING ACTIVITIES</b>		
<b>Income (loss) for the year</b>	<b>(93,118)</b>	35,612
Items not involving cash:		
Gain on debt settlement	-	(101,081)
Changes in non-cash working capital items:		
Other receivables	<b>3,270</b>	(4,221)
Prepaid expenses	<b>12,714</b>	(12,715)
Accounts payable and accrued liabilities	<b>51,692</b>	(593)
Due to related parties	-	-
	<u><b>(25,442)</b></u>	<u>(82,998)</u>
<b>CASH FLOWS FROM IN FINANCING ACTIVITIES</b>		
Gross proceeds from private placement	-	110,000
Share issuance costs	-	(1,750)
	<u>-</u>	<u>108,250</u>
<b>Net increase (decrease) in cash</b>	<b>(25,442)</b>	25,252
<b>Cash, beginning of the year</b>	<b>31,402</b>	6,150
<b>Cash, end of the year</b>	<b>5,960</b>	31,402

*The accompanying notes are integral to these financial statements.*

## **1. NATURE OF OPERATIONS**

Midasco Capital Corp. is a Canadian resident company listed on the NEX board of the TSX Venture Exchange and trades under the symbol MGC.H. The Company's head office is at 12216 Boundary Drive North, Surrey, B.C., Canada.

On October 2, 2015, the Company entered into a non-binding letter of intent ("LOI") with SOFTAC Systems Ltd. ("SOFTAC") to complete a change of business ("COB") through a business combination whereby the Company, subject to certain conditions and regulatory approval, would acquire all the issued and outstanding shares of SOFTAC. This LOI was terminated on May 9, 2016 as the Company and Softac were unable to enter into a definitive agreement. The Company incurred \$54,140 in business investigation fees relating to this transaction for the year ended December 31, 2016. The Company is currently seeking other business opportunities.

The financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will continue its operations and will be able to realize the carrying value of its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business is dependent upon successful resolution of the legal issues regarding the Bolivar property, the continued financial support from related parties and the ability of the Company to raise equity financing to continue operations. These uncertainties may cast significant doubt on the ability of the Company to continue operations as a going concern. The financial statements do not reflect adjustments to the carrying values of assets, liabilities or reported results should the Company be unable to continue as a going concern. Different bases of measurement may be appropriate if the Company were not expected to continue operations for the foreseeable future.

The Company will seek additional financing through related party loans and equity raises. At December 31, 2016, the Company had a working capital deficit of \$99,011 (2015 – \$5,893) and accumulated losses of 15,605,689 (2015 - \$15,512,571).

## **2. BASIS OF PRESENTATION**

### **Statement of compliance with International Financial Reporting Standards**

These financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The financial statements were authorized for issue by the Board of Directors on April 27, 2017.

### **Basis of preparation**

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

### **Use of Estimates and Judgments**

#### *Significant estimates and assumptions*

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other

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factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is risk of material adjustments to assets and liabilities in future accounting periods include estimates of the recoverability and measurement of deferred tax assets, and contingent liabilities.

*Significant judgments*

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include the classification of expenditures as exploration and evaluation expenditures or operating expenses, the classification of financial instruments and the going concern basis of accounting.

**Foreign currency transactions**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-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 the statement of comprehensive loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

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

**Income taxes**

Current income tax:

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

**Share-based payments**

The Company grants stock options to buy common shares of the Company through its stock option plan as described in Note 5. The Company accounts for share-based payments using the fair value method. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

**Financial instruments**

The Company classifies its financial instruments in the following categories: financial assets at fair value through profit or loss (“FVTPL”), held to maturity, available for sale, loans and receivables, and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified as FVTPL when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. The Company does not have any financial assets measured through profit or loss

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Cash is included in loans and receivables as of December 31, 2016 and 2015.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets. The Company does not have and available-for-sale financial assets.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities. The Company has not classified any financial liabilities as FVTPL.

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Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Financial liabilities classified as other financial liabilities include accounts payable and other short-term monetary liabilities.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

**Income (loss) per share**

Basic income (loss) per share is calculated by dividing the net earnings available to common shareholders divided by the weighted average number of common shares outstanding during the year. The diluted earnings per share are calculated based on the weighted average number of common shares outstanding during the year, plus the effects of the dilutive common share equivalents. This method requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. This method assumes that all common share equivalents have been exercised at the beginning of the year (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the year.

**Accounting standards issued but not yet effective:**

IFRS 9 “Financial Instruments” is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact this new standard will have on its financial statements.

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

**3. PROPOSED ACQUISITION OF SOFTAC SYSTEMS LTD.**

On October 2, 2015, as amended January 11, 2016, the Company entered into an LOI with SOFTAC to complete a COB through a business combination whereby the Company, subject to certain conditions and regulatory approval, would acquire all the issued and outstanding shares of SOFTAC. This LOI was terminated on May 9, 2016 as the Company and Softac were unable to enter into a definitive agreement. The Company incurred \$54,140 in business investigation fees relating to this transaction for the year ended December 31, 2016.

#### **4. FINANCIAL RISK AND CAPITAL MANAGEMENT**

##### **Classification of financial instruments**

	Ref.	December 31, 2016	December 31, 2015
		\$	\$
FVTPL financial asset	a	7,152	35,864
Other financial liabilities	b	106,163	54,471

- a. Comprises cash, prepaid expenses, and sales tax receivable.  
b. Comprises accounts payable, accrued liabilities and due to related parties.

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

##### **Management of Industry and Financial Risk**

The Company is engaged primarily in mineral exploration and managed related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its prior operations.

The Company's financial instruments are exposed to certain financial risks, which include the following:

##### ***Credit risk***

Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash and other receivables. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. Other receivables comprise refundable sales tax credits from the Canadian federal government.

##### ***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. Liquidity risk has not been assessed as high.

##### ***Foreign exchange risk***

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not have any direct exposure to foreign exchange risk.

##### ***Interest Rate Risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk.

##### ***Capital management***

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of equity, net of cash and cash equivalents. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

## **5. SHARE CAPITAL AND RESERVES**

### **Share Capital**

Authorized share capital of the Company consists of an unlimited number of fully paid common shares without par value.

#### ***For year ended December 31, 2016***

There was no share activity during this year.

#### ***For year ended December 31, 2015***

On May 11, 2015, the Company consolidated its outstanding share capital on the basis of 10 old shares for 1 new share. All share capital transactions referenced in these financial statements have been retroactively adjusted for the consolidation.

On May 11, 2015, the Company settled \$202,161 of debt to related parties in exchange for 1,010,805 common shares with a fair value of \$101,080. A gain of \$101,081 on settlement of this debt was recognized in the statement of comprehensive income (loss).

The Company completed a private placement of 2,200,000 common shares at a price of \$0.05 per share raising gross proceeds of \$110,000. The Company paid share issuance costs of \$1,750 relating to the private placement.

### **Stock Options**

The Company has a fixed stock option plan, approved by the Board of Directors and by the shareholders at the annual general meeting held on May 8, 2009, that allows the Company to grant incentive stock options to its directors, officers, employees and consultants. Under the stock option plan, the number of shares reserved for issuance cannot exceed 681,955 common shares. The exercise price, term (not to exceed ten years) and vesting provisions are authorized by the Board of Directors at the time of the grant. Stock options granted are subject to various vesting terms. There were no stock options outstanding at December 31, 2016 or 2015.

## **6. RELATED PARTY TRANSACTIONS**

The value of transactions and outstanding balances relating to key officers and directors and entities over which they have control or significant influence were as follows:

As at December 31, 2016, \$8,855 is due to EINRA Capital Corp. a private company controlled by a director. As at December 31, 2016, \$NIL (December 31, 2015 - \$4,000) is due from AMI Resources Inc., a company with two common directors, for legal fees paid for AMI Resources Inc.

The Company incurred \$NIL (December 31, 2015 – \$4,000) of management fees from a private company controlled by the Chief Executive Officer of the Company. During the year ended December 31, 2015, \$202,161 of related party debt was settled through the issuance of 1,010,805 shares with a fair value of \$101,081, resulting in a gain of \$101,081.

Amounts due to related parties are unsecured, non-interest bearing and without specified repayment terms.

**MIDASCO CAPITAL CORP.**  
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**7. DEFERRED INCOME TAX**

A reconciliation of the expected income tax provision to the actual income tax provision is as follows:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
	\$	\$
Net income (loss)	(93,118)	35,612
Statutory tax rate	26%	26%
Expected income tax recovery at the statutory tax rate	(24,211)	9,259
Non-deductible items and other	-	(26,110)
Expired losses	-	52,256
Temporary differences not recognized	24,211	(35,405)
Income tax provision	-	-

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	<b>December 31, 2016</b>	<b>December 31, 2015</b>
	\$	\$
Non-capital loss carry-forwards	731,492	707,282
Exploration and evaluation assets	418,019	418,019
Tax basis of investments in excess of book value	333,719	333,719
Equipment	2,347	2,347
Share issuance costs	-	-
Capital losses	390,503	390,503
	1,876,080	1,851,870

The tax pools relating to these deductible temporary differences expire as follows:

	<b>Non-capital losses</b>	<b>Net capital losses</b>	<b>Resource pools</b>
	\$	\$	\$
2026	167,806	-	-
2027	290,652	-	-
2028	487,125	-	-
2029	401,784	-	-
2030	317,250	-	-
2031	472,652	-	-
2032	312,361	-	-
2033	134,334	-	-
2034	56,027	-	-
2035	80,323	-	-
2036	93,118	-	-
No expiry	-	3,003,871	1,607,768
	2,813,432	3,003,871	1,607,768

## **8. SUBSEQUENT EVENT**

Subsequent to December 31, 2016, the Company completed a private placement of 2,500,000 units at the price of \$0.055 per unit for gross proceeds of \$137,500. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.07 per share for a period of one year from the date of closing.