

STARR PEAK EXPLORATION LTD.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

JULY 31, 2017



DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of Starr Peak Exploration Ltd.

We have audited the accompanying financial statements of Starr Peak Exploration Ltd., which comprise the statement of financial position as at July 31, 2017, and the statements of income (loss) and comprehensive income (loss), changes in shareholders’ equity (deficiency) and cash flows for the year 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 audit. We conducted our audit 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 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 Starr Peak Exploration Ltd. as at July 31, 2017, and its financial performance and its cash flows for the year 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 Starr Peak Exploration Ltd.’s ability to continue as a going concern.

Other Matter

The financial statements of Starr Peak Exploration Ltd. for the year ended July 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on November 28, 2016.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
November 28, 2017

An independent firm associated with
Moore Stephens International Limited
MOORE STEPHENS

STARR PEAK EXPLORATION LTD.
STATEMENTS OF FINANCIAL POSITION
AS AT JULY 31,
(Expressed in Canadian Dollars)

	2017	2016
ASSETS		
Current		
Cash	\$ 17,460	\$ 949
Receivables and prepaids	16,845	10,368
Investments (Note 4)	<u>100,676</u>	<u>405,812</u>
	134,981	417,129
Exploration and evaluation assets (Note 5)	<u>243,649</u>	<u>243,649</u>
	<u>\$ 378,630</u>	<u>\$ 660,778</u>
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable (Note 7 and 10)	\$ 355,423	\$ 490,955
Accrued liabilities	12,000	17,000
Due to related parties (Note 10)	<u>24,895</u>	<u>826,945</u>
	<u>392,318</u>	<u>1,327,900</u>
Shareholders' equity (deficiency)		
Share capital (Note 6)	11,278,351	10,108,531
Reserve (Note 6)	1,389,882	1,389,882
Other comprehensive income	63,526	225,137
Deficit	<u>(12,745,447)</u>	<u>(12,390,672)</u>
	<u>13,688</u>	<u>(667,122)</u>
	<u>\$ 378,630</u>	<u>\$ 660,778</u>

Nature and continuance of operations (Note 1)
Subsequent event (Note 13)

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

STARR PEAK EXPLORATION LTD.
STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
YEARS ENDED JULY 31,
(Expressed in Canadian Dollars)

	2017	2016
EXPENSES		
Bank charges and interest	\$ 408	\$ 192
Consulting fees (Note 10)	13,770	18,672
Exploration (Note 5)	83,456	-
Management fees (Note 10)	-	24,000
Office and miscellaneous	7,012	1,358
Professional fees	12,000	22,095
Transfer agent and filing fees	19,915	18,287
Wages	-	7,193
	<u>(136,561)</u>	<u>(91,797)</u>
OTHER		
BC Mining tax credit (Note 5)	-	49,770
Reversal of provision	-	11,736
Loss on settlement of debt (Note 6)	(370,503)	-
Gain on sale of investments, net (Note 4)	<u>149,126</u>	<u>27,429</u>
	<u>(221,377)</u>	<u>88,935</u>
Net loss before income taxes	(357,938)	(2,862)
Deferred income tax recovery (Note 4)	<u>3,163</u>	<u>33,641</u>
Net income (loss) for the year	(354,775)	30,779
Other comprehensive income		
Gain (loss) on investment, net (Note 4)	<u>(161,611)</u>	<u>225,137</u>
Comprehensive income (loss) for the year	<u>\$ (516,386)</u>	<u>\$ 255,916</u>
Basic and diluted income (loss) per common share	<u>\$ (0.02)</u>	<u>\$ 0.02</u>
Weighted average number of common shares outstanding	<u>19,501,000</u>	<u>4,883,891</u>

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

STARR PEAK EXPLORATION LTD.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(Expressed in Canadian Dollars)

	<u>Share Capital</u>		Deficit	Reserves	Other Comprehensive Income	Shareholders' Equity (Deficiency)
	Common Shares	Amount				
Balance, July 31, 2015	4,883,891	\$ 10,108,531	\$ (12,421,451)	\$ 1,389,882	\$ -	\$ (923,038)
Net income for the year	-	-	30,779	-	-	30,779
Unrealized gain on investments, net	-	-	-	-	225,137	225,137
Balance, July 31, 2016	4,883,891	10,108,531	(12,390,672)	1,389,882	225,137	(667,122)
Net loss for the year	-	-	(354,775)	-	-	(354,775)
Shares issued for settlement of debt (Note 6)	14,820,124	1,185,609	-	-	-	1,185,609
Share issuance costs (Note 6)	-	(15,789)	-	-	-	(15,789)
Unrealized loss on investments, net	-	-	-	-	(161,611)	(161,611)
Balance, July 31, 2017	19,704,015	\$ 11,278,351	\$ (12,745,447)	\$ 1,389,882	\$ 63,526	\$ 13,688

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

STARR PEAK EXPLORATION LTD.
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31,
(Expressed in Canadian Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	\$ (354,775)	\$ 30,779
Items not affecting cash:		
Gain on sale of investments	(149,126)	(27,429)
Deferred income tax recovery	(3,163)	(33,641)
Loss on settlement of debt	370,503	-
Changes in non-cash working capital items:		
Receivables and prepaids	(6,477)	(3,012)
Accounts payable and accrued liabilities	(479)	8,207
Due to related parties	(119,997)	(85,254)
Net cash used in operating activities	<u>(263,514)</u>	<u>(110,350)</u>
CASH FLOWS FROM INVESTING ACTIVITY		
Proceeds from sale of investment	<u>295,814</u>	<u>108,428</u>
Net cash provided by investing activity	<u>295,814</u>	<u>108,428</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Share issuance costs	<u>(15,789)</u>	<u>-</u>
Net cash used in financing activity	<u>(15,789)</u>	<u>-</u>
Change in cash during the year	16,511	(1,922)
Cash, beginning of year	<u>949</u>	<u>2,871</u>
Cash, end of year	<u>\$ 17,460</u>	<u>\$ 949</u>

Supplemental disclosure with respect to cash flows:

During the year ended July 31, 2017, the Company adjusted its value of investment through other comprehensive income by \$24,339 (2016 - \$225,137).

During the year ended July 31, 2017, the Company settled \$133,054 of accounts payable and accrued liabilities and \$682,053 of due to related parties through the issuance of 14,820,124 common shares of the Company (Note 6).

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

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the Canada Business Corporations Act on February 4, 1981 and has continued as a company under the Business Corporations Act of British Columbia. The Company is an exploration stage junior mining company engaged in the identification, acquisition and exploration of mineral properties. The Company's head office, principal address and registered records office is located at 610 – 1100 Melville Street, Vancouver, British Columbia, Canada.

The Company's financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

Several conditions cast doubt on the validity of this assumption. The Company has incurred ongoing losses and has an accumulated deficit. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments would be material.

The ability of the Company to continue as a going concern and meet its commitments as they become due, including the acquisition and exploration of exploration and evaluation assets, is dependent on the Company's ability to obtain the necessary financing. Management is planning to raise additional capital to finance operations and acquire mineral properties. The outcome of these matters cannot be predicted at this time. The Company has incurred losses since inception and the ability of the Company to continue as a going concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

The Company is in the process of exploring its exploration and evaluation assets and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of its mineral properties and upon future profitable production.

2. BASIS OF PRESENTATION

Statement of compliance

These financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). They have been prepared on a historical cost basis, except for certain financial instruments which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. These financial statements are presented in Canadian dollars unless otherwise noted.

Approval of the financial statements

The financial statements of the Company for the year ended July 31, 2017 were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 28, 2017.

Comparative figures

Certain comparative figures may have been reclassified to conform with the current year's presentation.

2. BASIS OF PRESENTATION (continued)

New or revised accounting standards not yet adopted

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the year ended July 31, 2017 and have not been applied in preparing these financial statements.

IFRS 9 – Financial Instruments: Classification and Measurement 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.

Critical accounting estimates and judgments

The preparation of these financial statements 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 expenses during the year. Actual results could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The carrying value and the recoverability of exploration and evaluation assets, which are included in the statements of financial position. The cost model is utilized and the value of the exploration and evaluation assets is based on the expenditures incurred. At every reporting period, management assesses the potential impairment which involves assessing whether or not facts or circumstances exist that suggest the carrying amount exceeds the recoverable amount.
- ii) The recognition of deferred tax assets. The Company considers whether the realization of deferred tax assets is probable in determining whether or not to recognize these deferred tax assets.
- iii) The recorded value of provision. This amount represents a best estimate of the probable amount payable taking into account available evidence including past history of payments and uncertainty of outflow of future resources.

3. SIGNIFICANT ACCOUNTING POLICIES

Exploration and evaluation assets

All costs related to the acquisition of exploration and evaluation assets are capitalized on a property by property basis, net of recoveries. Exploration costs incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are expensed to operations as incurred. If economically recoverable ore reserves are developed, capitalized costs of the related property are classified as mining assets and amortized using the unit-of-production method. When a property is abandoned, all related costs are written off to operations.

The amounts shown for acquisition costs represent costs incurred to date and do not necessarily reflect present or future values. These costs are depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

From time to time, the Company may acquire or dispose of an exploration and evaluation asset pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts

payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. Proceeds received on the sale of an option of the Company's property are recorded as a reduction

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Exploration and evaluation assets (continued)

of the mineral property cost. The Company recognizes amounts received in excess of the carrying amount in profit or loss.

Although the Company has taken steps to verify the title to exploration and evaluation assets in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Evaluation and exploration assets are assessed for impairment by management when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. When there is little prospect of further work on a property being carried out by the Company or its partners, when a property is abandoned, or when the capitalized costs are no longer considered recoverable, the related property costs are written down to management's estimate of their net recoverable amount.

The recoverability of the carrying amount of exploration and evaluation assets is dependent on successful development and commercial exploitation or alternatively the sale of the respective areas of interest.

Decommissioning liabilities

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, evaluation, development or ongoing production.

Decommissioning and site rehabilitation costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided when the obligation to incur such costs arises and are capitalized into the cost of the related asset. These costs are charged against operations through depreciation of the asset and unwinding of the discount on the provision.

Depreciation is included in operating costs while the unwinding of the discount is included as a financing cost. Changes in the measurement of a liability relating to the decommissioning or site rehabilitation of plant and other site preparation work are added to, or deducted from, the cost of the related asset.

The costs for the restoration of site damage, which arises during production, are provided at their net present values and charged against operations as extraction progresses.

Changes in the measurement of a liability, which arises during production, are charged against profit or loss. The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

Impairment of tangible assets

The Company's tangible assets are reviewed for indications of impairment at each statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows

that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible assets (continued)

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Income (loss) per share

Basic income (loss) per share is calculated using the weighted average number of common shares outstanding during the period. The Company computes the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

Share-based payments

The Company grants options to acquire common shares of the Company to directors, officers, employees and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes Option Pricing Model, and is recognized over the vesting period for employees using the graded vesting method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes Option Pricing Model.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in the reserve. The amount recognized as expense is adjusted to reflect the number of share options expected to vest. Consideration received on the exercise of stock options is recorded in share capital and the related share-based payment in the reserve is transferred to share capital.

Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in profit or loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred 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 profit or loss the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income 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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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.

Flow-through shares

On the issuance of flow-through shares, any premium received in excess of the closing market price of the Company's common shares is initially recorded as a flow-through premium liability and included as a liability. Upon related expenditures being incurred, the Company proportionately derecognizes the liability and recognizes the offsetting amount in profit or loss.

The Company indemnifies the subscribers of flow-through shares against certain tax related amounts that become due related to their flow-through subscriptions.

Financial instruments

IFRS 7 *Financial Instruments: Disclosures* requires classification of fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(i) Financial assets

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

(a) Held-to-maturity

Held-to-maturity financial assets are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method.

(b) Fair value through profit or loss

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL.

A financial asset is classified as FVTPL if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

STARR PEAK EXPLORATION LTD.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JULY 31, 2017
(Expressed in Canadian Dollars)

Financial assets classified as FVTPL are stated at fair value with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(c) Available-for-sale investments

AFS financial assets are non-derivatives that are either designated as AFS or not classified in any of the other financial assets categories. Changes in the fair value of AFS financial assets, other than impairment losses, are recognized as other comprehensive income and classified as a component of equity.

(d) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at year-end. Bad debts are written off during the reporting period in which they are identified. Interest income is recognized by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Financial liabilities and equity

Debt and equity instruments are classified as either FVTPL, other financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs. Financial liabilities are classified as other financial liabilities, based on the purpose for which the liability was incurred. The liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

4. INVESTMENTS

Investments consists of common shares of Barkerville Gold Mines Ltd. ("Barkerville").

	July 31, 2017		July 31, 2016	
	Number of shares	Quoted market price	Number of shares	Quoted market price
Barkerville	110,633	\$100,676	588,133	\$405,812

During the year ended July 31, 2017, the Company sold 477,500 (2016 – 324,000) common shares of Barkerville for net proceeds of \$295,814 (2016 - \$108,428) recognizing a loss of \$33,661 (2016 - gain of \$27,429) on the sale of shares. Accordingly, the Company derecognized a previously recorded unrealized mark-to-market gain of \$210,100 (2016 - \$Nil) and deferred income tax recovery ("DIT") of \$27,313 (\$Nil). The result was a net gain on the sale of shares of \$149,126. The Company also recognized an unrealized mark-to-market gain of \$24,339 (2016 - \$258,778) and a DIT recovery of \$3,163 (2016 - \$33,641). The result was a net recovery of \$161,611 (2016 - \$225,137) to other comprehensive income.

STARR PEAK EXPLORATION LTD.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JULY 31, 2017
(Expressed in Canadian Dollars)

5. EXPLORATION AND EVALUATION ASSETS

El Toro Property

The Company holds a 100% interest in the El Toro property located in the Omineca Mining Division of British Columbia with a cost of \$243,649. The Company incurred exploration expenses as follows:

	July 31, 2017	July 31, 2016
Assays	\$ 6,535	\$ -
Consulting fees	76,921	-
	<u>\$ 83,465</u>	<u>\$ -</u>

During the year ended July 31, 2017, the Company received \$Nil (2016 - \$49,770) of BC Mining Tax Credits from expenditures incurred in prior years.

6. SHARE CAPITAL

Authorized:

Unlimited common shares without par value

Issued:

During the year ended July 31, 2017, the Company settled \$133,054 of accounts payable and accrued liabilities and \$682,053 of amounts due to related parties through the issuance of 14,820,124 common shares of the Company. The common shares were recorded at a fair value of \$1,185,609, resulting in a loss on settlement of debt of \$370,503. The Company incurred share issuance costs of \$15,789.

Stock options

The Company has a rolling stock option plan (the "Plan") that authorizes the board of directors to grant incentive stock options to directors, officers, consultants and employees, whereby a maximum of 10% of the issued common shares are reserved for issuance under the plan. Under the Plan, the exercise price of each option may not be less than the market price of the Company's shares at the date of grant, subject to a minimum exercise price of \$0.05 per share. Options granted under the Plan will have a term not to exceed five years and be subject to vesting provisions as determined by the board of directors of the Company.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding, July 31, 2015	423,143	\$ 0.96
Expired, unexercised	<u>(423,143)</u>	0.96
Outstanding and exercisable, July 31, 2016 and 2017	-	\$ -

As at July 31, 2017 and 2016, the Company did not have any stock options outstanding.

STARR PEAK EXPLORATION LTD.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JULY 31, 2017
(Expressed in Canadian Dollars)

Reserve

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

7. PROVISION

The Company and a non-related party entered into a subscription and renunciation agreement ("SRA") whereby the Company was to incur and renounce exploration expenditures in an amount equal to \$300,000 by October 31, 2007. The SRA included an indemnification clause, whereby failure to incur and renounce the full amount of exploration expenditure requires the Company to pay the investors an amount equal to the value of the tax credits that were to be received under the Canadian Income Tax Act. As a result of the Company failing to incur the necessary exploration expenditures in 2007, a provision of \$70,635 (2016 - \$70,635) has been recognized.

8. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26% (2016 - 26%) to income before income taxes. The reasons for the differences are as follows:

		July 31, 2017	July 31, 2016
Loss before income taxes for the year	\$	(357,938)	\$ (2,862)
Statutory income tax rate		26%	26%
Expected income tax (recovery)	\$	(93,064)	\$ (1,000)
Expiry of non-capital losses		-	122,000
Other differences		12,411	(7,000)
Change in unrecognized benefit of deferred tax assets		77,490	(148,000)
Total income tax recovery	\$	(3,163)	\$ (33,641)

The Company recognizes tax benefits on losses or other deductible amounts generated in countries where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

		July 31, 2017	July 31, 2016
Excess of unused exploration expenditures for Canadian tax purposes over carrying value of mineral property interests	\$	764,738	\$ 762,000
Excess of undepreciated capital cost over carrying value of fixed assets		29,823	30,000
Share issuance costs		3,284	-
Investments		21,997	21,000
Capital losses carried forward		39,918	40,000
Non-capital losses carried forward		626,730	556,000
Unrecognized deferred tax assets	\$	1,486,490	\$ 1,409,000

The Company has non-capital losses of approximately \$2,338,000 that may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire through 2037. Exploration and evaluation assets, property and equipment and net capital losses have no expiry date.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize these benefits.

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

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash, receivables, investments, accounts payable and accrued liabilities, and amounts due to related party. Cash has been designated as fair value through profit and loss, receivables as loans and receivables, investments as available for sale and accounts payable and accrued liabilities and due to related parties are designated as other financial liabilities. The fair value of these financial instruments approximates their carrying value due to the short-term nature of these instruments. Cash and investments which are valued at a level 1 fair value measurement.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and other price risk. There has been no change in the way management managed these risks for the year.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The cash is held in a large Canadian financial institution, which has a strong credit rating from a primary credit rating institution. There is nominal risk associated with receivables as this is due primarily from a government agency.

Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Due to the short-term nature of the Company's financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of July 31, 2017. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on the preservation of capital and liquidity.

b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial 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 issuances. The Company manages its liquidity risk by forecasting cash flows required by 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. All the Company's financial liabilities have contractual maturities less than 30 days and are subject to normal trade terms. The Company is exposed to liquidity risk.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse

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impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

d) Market risk

The Company's financial instruments include investments which are publicly traded and therefore subject to the risks related to the fluctuation in market prices of publicly traded securities. Some of these investments have been acquired as a result of property transactions and, to a large extent, represent strategic investments in related mining companies and their properties. The Company closely monitors market values to determine the most appropriate course of action.

10. RELATED PARTY TRANSACTIONS

The Company incurred the following expenses charged by key management personnel and companies controlled by key management personnel, such personnel include the Company's Directors, Chief Executive Officer, Chief Financial Officer and Corporate Secretary:

	2017	2016
Management fees charged by directors and corporations under their control	\$ -	\$ 24,000
Consulting fees	9,000	9,000
Total	\$ 9,000	\$ 33,000

Key management personnel were not paid any post-employment benefits, termination benefits, or other long-term benefits during

Included in accounts payable and accrued liabilities is \$1,235 (2016 - \$Nil) owing to a company related to an officer and director of the Company.

The amount due to the related parties consists of balances owed to directors and has no specific terms of repayment, is unsecured a

11. CAPITAL MANAGEMENT

The Company defines its capital as shareholders' equity (deficiency). Capital requirements are driven by the Company's exploration activities on its exploration and evaluation assets. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this financing due to uncertain economic conditions. The Company is not subject to any externally imposed capital requirements. There have been no changes to the Company's approach to capital management during the year.

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12. SEGMENTED INFORMATION

An operating segment is defined as a component of the Company that engages in business activities from which it may earn revenues and incur expense, whose operating results are reviewed regularly by the Company's chief operating decision maker, and for which discrete financial information is available. The Company has determined that it has one reportable operating segment, the acquisition and exploration of mineral properties, all of which occurs within Canada.

13. SUBSEQUENT EVENT

The Company received \$88,200 in advances from a director of the Company. The advances have no specific terms of repayment, are unsecured and non-interest-bearing.