



COPPER LAKE
RESOURCES LTD

**Annual Financial Statements
For the Year Ended October 31, 2017**

Expressed in Canadian dollars

Independent auditor's report

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To the Shareholders of Copper Lake Resources Ltd.:

We have audited the accompanying financial statements of Copper Lake Resources Ltd., which comprise the statement of financial position as at October 31, 2017, and the statement of loss and comprehensive loss, statement of changes in shareholders' equity and statement of 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 in our audit 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 Copper Lake Resources Ltd. as at October 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 modifying our opinion, we draw attention to Note 1 to the financial statements which indicates that additional funding will be necessary to advance the Company's exploration and evaluation efforts. This condition, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Restated comparative information

Without modifying our opinion, we draw attention to Note 14 to the financial statements which indicates that certain comparative information as at October 31, 2016 and November 1, 2015 has been restated.

The financial statements of Copper Lake Resources Ltd. as at and for the years ended October 31, 2016 and October 31, 2015, excluding the restatement described in Note 14 to the financial statements, were audited by another auditor who expressed an unmodified opinion on these financial statements on December 22, 2016.

As part of our audit of the financial statements of Copper Lake Resources Ltd. for the year ended October 31, 2017, we also audited the adjustments described in Note 14 that were applied to restate the financial statements as at and for the year ended October 31, 2016 and as at November 1, 2015. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the financial statements of Copper Lake Resources Ltd. for the years ended October 31, 2016 and October 31, 2015 other than with respect to the adjustments, and, accordingly, we do not express an opinion or any other form of assurance on the financial statements for the years ended October 31, 2016 and October 31, 2015 taken as a whole.



Mississauga, Canada
February 21, 2018

Chartered Professional Accountants
Licensed Public Accountants

Copper Lake Resources Ltd.
Statement of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	For the year ended October 31	
	2017	2016
		(Restated - Note 14)
Expenses		
Accretion of interest on convertible debt (note 5)	\$ 18,802	\$ 12,124
Exploration and evaluation expenditures, net of recoveries (note 4)	87,151	200,602
Gain on debt settlement	(4,614)	-
General and administration	24,111	13,963
Interest and bank charges	45,371	27,180
Investor relations	8,750	-
Management fees (note 7)	-	53,500
Professional fees	61,831	109,971
Share-based compensation (notes 6 and 7)	-	189,105
Transfer agent and listing fees	17,906	44,977
Net loss and comprehensive loss for the year	\$ 259,308	\$ 651,422
Basic and diluted loss per share	\$ 0.002	\$ 0.012
Weighted average number of common shares outstanding	98,418,791	55,435,720

The accompanying notes are an integral part of these financial statements

Copper Lake Resources Ltd.
Statement of Changes in Shareholders' Equity
Years Ended October 31
(Expressed in Canadian dollars)

	Capital stock		Reserves	Equity	Deficit (Restated - Note 14)	Total
	Shares	Amount		Component of Convertible Debt		
		\$	\$	\$	\$	\$
Balance, October 31, 2015	41,266,282	11,745,046	135,411	-	(12,364,848)	(484,391)
Issued in connection with debt settlement	7,000,000	315,000	14,580	-	-	329,580
Gain on debt settlement		-	67,112	-	-	67,112
Private placement – January 2016	198,000	9,900	-	-	-	9,900
Advance share subscriptions	-	(5,000)	-	-	-	(5,000)
Equity component of convertible debt				245,951	-	245,951
Private placement – September 2016	6,533,329	392,000	-	-	-	392,000
Share issue costs		(13,557)	3,637	-	-	(9,920)
Shares issued as consideration	34,422,938	1,893,262	-	-	-	1,893,262
Issued on conversion of convertible debt	4,570,363	251,370	-	(80,292)	-	171,078
Transfer on expiry of options	-	-	(120,310)	-	120,310	-
Share-based compensation	-	-	189,105	-	-	189,105
Net loss and comprehensive loss	-	-	-	-	(651,422)	(651,422)
Balance, October 31, 2016	93,990,912	14,588,021	289,535	165,659	(12,895,960)	2,147,255
Acquisition of mineral property interest	400,000	16,000	-	-	-	16,000
Extension of property option agreement	600,000	27,000	-	-	-	27,000
Transfer on expiry of options	-	-	(29,681)	-	29,681	-
Debt forgiveness by shareholder			22,000			22,000
Issued on conversion of convertible debt	7,943,273	429,823	-	(129,769)	-	300,054
Issued on settlement of interest	1,008,000	50,400	-	-	-	50,400
Net loss and comprehensive loss	-	-	-	-	(237,308)	(237,308)
Balance, October 31, 2017	103,942,185	15,111,244	281,854	35,890	(13,103,587)	2,303,401

The accompanying notes are an integral part of these financial statements

Copper Lake Resources Ltd.**Statement of Cash Flows**

(Expressed in Canadian dollars)

	For the year ended October 31	
	2017	2016
		(Restated - Note 14)
Cash flows from operating activities:		
Loss for the year	\$ (259,308)	\$ (651,422)
Items not affecting cash:		
Share-based compensation	-	189,105
Share-based payments	27,000	-
Accretion on convertible debenture	18,802	12,124
Gain on settlement of debt	(4,614)	-
Change in non-cash working capital items:		
HST receivable	24,346	(21,488)
Restricted cash	-	(118,390)
Prepaid expenses	1,672	-
Accounts payable and accrued liabilities	52,616	(46,409)
Net cash used in operating activities	(139,486)	(636,480)
Cash flows from investing activities:		
Acquisition of mineral properties	(20,000)	-
Net cash used in investing activities	(20,000)	-
Cash flows provided by (used in) financing activities:		
Repayment of advances from shareholder	1,356	-
Repayment of loan payable	-	(24,530)
Issuance of shares	-	4,900
Issuance of convertible debentures	-	420,000
Private placement of units	-	392,000
Share issue costs	-	(9,920)
Net cash provided by financing activities	1,356	782,450
Decrease (increase) in cash during the year	(158,130)	145,970
Cash and cash equivalents, beginning of year	161,977	16,007
Cash and cash equivalents, end of year	\$ 3,847	\$ 161,977
Supplemental cash flow information		
	October 31,	October 31,
	2017	2016
Cash paid during the year for:		
Interest	\$ -	\$ -
Income taxes	-	-
Non-cash financing and investing activities:		
Issuance of common shares for acquisition of mineral properties	\$ 16,000	\$ 1,893,262

The accompanying notes are an integral part of these financial statements

Copper Lake Resources Ltd.

Notes to the Financial Statements

For the Year Ended October 31, 2017

(Expressed in Canadian dollars)

1. NATURE OF BUSINESS AND GOING CONCERN

Copper Lake Resources Ltd. (the “Company” or “Copper Lake”) was incorporated under the laws of the Province of British Columbia and is in the business of exploration and development of mineral resource properties. The address of the Company’s head office is 501 Alliance Avenue – Suite 401, Toronto, Ontario. The Company’s shares are listed on the TSX-V under the trading symbol CPL.

The Company is a mineral exploration company focused on acquiring, exploring and developing exploration and evaluation assets in Canada.

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

The Company has no source of operating cash flows, has not yet achieved profitable operations, has a working capital deficit, has accumulated losses since its inception, expects to incur further losses in the development of its business and has no assurance that sufficient funding will be available to conduct further exploration of its mineral properties. These material uncertainties cast significant doubt about the Company’s ability to continue as a going concern and, accordingly, the appropriateness of the use of generally accepted accounting principles applicable to a going concern.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral interests. The Company has completed a \$350,000 financing subsequent to year end – see note 15.

In the future, the Company may raise additional financing through the issuance of share capital or shareholder loans, however, there can be no assurance that it will be successful in its efforts to do so and that the terms will be favorable to the Company. These financial statements do not include any adjustments to the carrying values of assets and liabilities, the reported expenses and statement of financial position classifications that might be necessary should the Company be unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Management is actively seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost-cutting measures. There can be no assurance that management’s plan will be successful. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”). The policies applied in these financial statements are based on IFRS issued and outstanding as of November 1, 2016.

The financial statements of the Company for the year ended October 31, 2017 were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on February 21, 2018.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for certain non-current assets and financial instruments, which are measured at fair value as explained in the accounting policies set out in Note 3.

Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Company’s functional currency. All financial information is expressed in Canadian dollars unless otherwise stated and have been rounded to the nearest dollar.

Copper Lake Resources Ltd.

Notes to the Financial Statements

For the Year Ended October 31, 2017

(Expressed in Canadian dollars)

2. BASIS OF PREPARATION *(Continued)*

Significant accounting estimates and judgments

The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes may differ from these estimates. Revisions to accounting estimates, or changes to judgments, are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Significant assumptions that management has made about current unknowns, the future, and other sources of uncertainty, could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made. Such significant assumptions include, but are not limited to, the following areas:

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year and include but are not limited to, the following:

- Recovery of deferred tax assets

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

- Share based payments

The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

- Convertible debentures

The convertible debentures are classified as liabilities, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the liability being less than its face value. The discount is being accreted over the term of the debentures, using the effective interest rate method which approximates the market rate at the date the debentures were issued. Management uses its judgment to determine an interest rate that would have been applicable to non-convertible debt at the time the debentures were issued.

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

- Recoverability of mineral property interests

Assets or cash-generating-units ("CGUs") are separately evaluated as each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's mineral property interests.

The assessment of impairment of mineral property interests requires judgment to determine whether indicators of impairment exist including factors such as, the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of mineral property interests are budgeted and results of exploration activities up to the reporting date.

Copper Lake Resources Ltd.
Notes to the Financial Statements

For the Year Ended October 31, 2017

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

The following are a list of significant accounting policies used by the Company.

a) Cash and cash equivalents

Cash and cash equivalents includes highly liquid instruments with original maturities of 90 days or less and that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

b) Mineral property interests

The initial acquisition costs of mineral properties are capitalized as exploration and evaluation interests on a project-by-project basis, pending determination of the technical feasibility and the commercial viability of the project. Acquisition costs include cash and fair value of shares paid, liabilities assumed, and associated legal costs paid to acquire the interest, whether by option, purchase, staking or otherwise. Costs of investigation incurred before the Company has obtained the legal right to explore an area are recognized in the statement of loss.

Exploration and evaluation expenses are comprised of costs that are directly attributable to:

- researching and analyzing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and
- evaluating the technical feasibility and commercial viability of extracting a mineral resource.

All exploration and evaluation expenditures are expensed until properties are determined to contain economically viable reserves. When economically viable reserves have been determined, technical feasibility has been determined and the decision to proceed with development has been approved, the capitalized mineral property interest for that project, and subsequent costs incurred for the development of that project, are capitalized as mining properties, a component of property, plant and equipment.

All mineral property interests are monitored for indications of impairment at each financial position reporting date. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that acquisition costs are not expected to be recovered, it is charged to the results of operations.

Although the Company has taken steps to verify the title to mineral property interests 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.

c) 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 - 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 statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and includes cash and cash equivalents and restricted cash. They are carried at 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.

Copper Lake Resources Ltd.

Notes to the Financial Statements

For the Year Ended October 31, 2017

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Transactions costs associated with fair value through profit or loss 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 at fair value through profit or loss 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 described above.

Financial liabilities

The Company classifies its financial liabilities into one of two 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 - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss and comprehensive loss.

Other financial liabilities: This category includes promissory notes, amounts due to related parties, loan payable, convertible debt and accounts payables and accrued liabilities, all of which are recognized at amortized cost using the effective interest method. The Company's accounts payable and accrued liabilities are classified as other financial liabilities.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

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).

d) Impairment

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of loss and comprehensive loss the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of loss and comprehensive loss.

e) Convertible debentures

Convertible debentures can be converted to equity units at the option of the holder and the number of equity units to be issued is fixed based on the contractual terms of the instrument. The liability component of the convertible debenture is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component, consisting of common shares and warrants, is recognized initially as the

Copper Lake Resources Ltd.
Notes to the Financial Statements

For the Year Ended October 31, 2017

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

difference between the fair value of the convertible debenture as a whole and the fair value of the liability component. Any transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of the convertible debenture is measured at amortized cost using the effective interest method. The equity component is not re-measured subsequent to initial recognition.

f) Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

g) Unit offerings

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

h) Flow-through shares:

The Company will from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through shares into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. This is referred to as the residual value method. The Company did not recognize any premium on the flow-through shares issued in 2016 as the unit price did not exceed the market price of the shares at the time of issuance.

Upon expenditures being incurred, the Company derecognizes the liability and recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and the related deferred tax is recognized as a tax provision.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration and expenditures within a two-year period. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with the Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

i) Share based payment transactions

The Company's stock option plan allows employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Share-based payments to non-employees are measured at the fair value of the goods or services received or at 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 fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. The fair value of the options is accrued and charged either to operations or exploration and evaluation assets, with the offset credit to share-based payments reserve, over the vesting period. If and when the stock options are exercised, the applicable amounts from share-based payments reserve are transferred to capital stock.

The Black-Scholes option valuation model used by the Company to determine fair values of options and similar financial instruments requires the input of highly subjective assumptions including future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate.

Copper Lake Resources Ltd.

Notes to the Financial Statements

For the Year Ended October 31, 2017

(Expressed in Canadian dollars)

j) Loss per share

Basic loss per share is calculated by dividing the loss for the year 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 on loss per share is calculated presuming the exercise of outstanding options, warrants and similar instruments and the conversion of outstanding convertible debt. It assumes that the proceeds 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, warrants and convertible debt that would be anti-dilutive.

k) Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized as equity.

Current tax expense is the expected tax payable on the taxable income 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 is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable profit; nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only 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, it will not be recognized. Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

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.

New Standards, Interpretations and Amendments Not Yet Effective

The following new standards, and amendments to standards and interpretations, were not yet effective for the year ended October 31, 2017, and have not been applied in preparing these consolidated financial statements. Other new standards which are not yet effective for the year ended October 31, 2017 but are not discussed below, are not expected to have an impact on the Company.

Accounting standards issued and effective in future periods

IAS 7 Statements of Cash Flows – Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The Company is currently evaluating the impact of this change on its financial statements. This standard is effective for annual reporting periods beginning on or after January 1, 2017.

IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. As the Company has no debt instruments measured at fair value, the Company anticipates that this change will have no impact on the financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2017.

Copper Lake Resources Ltd.

Notes to the Financial Statements

For the Year Ended October 31, 2017

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

IFRS 9 Financial Instruments

A finalized version of IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements for classification and measurement of financial assets and liabilities; impairment of financial assets; hedge accounting; and derecognition of financial assets and liabilities carried forward from IAS 39. This standard is effective for annual reporting periods beginning on or after January 1, 2018. The new standard is not expected to have a significant impact on the financial statements of the Company.

IFRS 16 Leases

A finalized version of IFRS 16 *Leases* replaces IAS 17 *Leases*. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. This standard is effective for annual reporting periods beginning on or after January 1, 2019. The Company is in the process of determining the impact of IFRS 16 on its financial statements.

4. MINERAL PROPERTY INTERESTS

Marshall Lake Property

The Company entered into an option agreement dated July 6, 2010 with Rainy Mountain Royalty Corp. (“Rainy Mountain”) and Marshall Lake Mining Limited (“MLMP”) of London, England, whereby the Company was granted an option to earn up to a 50% interest in certain mining claims that comprise the Marshall Lake property located north-northeast of Thunder Bay, Ontario.

Under the option agreement, the Company is required to:

- a) incur aggregate exploration expenditures of \$4,000,000 on the property, as follows:
 - (i) \$400,000 (incurred) on or before the first anniversary of August 11, 2011;
 - (ii) \$600,000 (incurred) on or before the second anniversary of August 11, 2012;
 - (iii) \$1,000,000 (incurred) on or before the third anniversary of August 11, 2013;
 - (iv) \$1,000,000 (incurred) on or before the fourth anniversary, amended to October 11, 2014; and
 - (v) \$1,000,000 on or before the fifth anniversary, amended to July 15, 2018.
- b) issue a total of 2,000,000 common shares of the Company, as follows:
 - (i) 400,000 common shares (issued at a value of \$88,000) within ten business days of the effective date of the agreement; and
 - (ii) 1,000,000 common shares (issued) to be issued on each of the first (issued at a value of \$104,000), second (issued at a value of \$60,000) and third (issued at a value of \$20,000) and fourth (issued at a value of \$24,000) anniversary dates of the Agreement.

During the year ended October 31, 2015, the Company negotiated an extension of the option agreement to July 15, 2017. In consideration for the extension the Company issued 500,000 shares to each of the two optionors (1,000,000 shares in total). During the year ended October 31, 2017 the Company negotiated an extension of the option agreement to July 15, 2018 and issued 600,000 shares as consideration.

On May 5, 2016 the Company announced that it had reached an agreement to acquire the 31.25% interest in the Marshall Lake property currently held by MLMP, a privately held company based in the United Kingdom. The acquisition subsequently closed on September 29, 2016. This acquisition gave Copper Lake a 68.75% interest in the property.

Consideration for the acquisition was 34,422,938 common shares and a principal amount of \$350,000 of 12% five year unsecured subordinated convertible debentures. The debentures are convertible into units, comprised of one share and one warrant, at \$0.055 per unit for the first year and \$0.10 per unit thereafter. The warrants will have an exercise price equal to the conversion rate of the units when issued. The total consideration is valued at \$2,243,262. The transaction was approved by shareholders on July 26, 2016, received regulatory approval on September 22, 2016, and closed on September 29, 2016.

Copper Lake Resources Ltd.

Notes to the Financial Statements

For the Year Ended October 31, 2017

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4. MINERAL PROPERTY INTERESTS *(Continued)*

As a result of the acquisition, the Company can now earn a 75% interest by incurring cumulative expenditures of \$4,000,000 on the property by July 15, 2018. As of October 31, 2017, the company has incurred cumulative expenditures of \$3,440,927.

The Company also has the option to increase its interest to 87.5% by incurring such additional property expenditures as are necessary to take the Marshall Lake property to a bankable feasibility stage.

Norton Lake Property

The Company entered into a Joint Venture Assignment Agreement dated on January 21, 2009 with Cascadia International Resources Inc. of Calgary, Alberta (“Cascadia”), pursuant to which Cascadia assigned its 51% joint venture interest in the Norton Lake property to the Company for the sum of \$300,000. The other joint venture partners are Rainy Mountain and White Metals Resources Corp. (“White Metals”). The property is located north of Thunder Bay, Ontario and the Company is the operator. The Norton Lake Project consists of two properties, namely, the Norton West Property (the principal property) and the Norton East Property. Joint venture expenditures are being recorded by each joint venture partner on a cash call basis and as a result of the programs completed by the Company on the Norton West Property, the Company had a 57.6% interest in the Norton West Property (with Rainy Mountain having a 32.6% interest and White Metals having a 9.8% interest) and a 51% interest in the Norton East Property (with Rainy Mountain having a 9.8% interest and Trillium having a 39.2% interest). By agreement dated February 21, 2012, the Company, Rainy Mountain and White Metals combined and consolidated their respective interests in the Norton West and Norton East Properties, and as a result, the Company has a 60.70% interest in the combined Properties (with Rainy Mountain having a 30.21% interest and White Metals having a 9.09% interest). On June 29, 2015, the Company announced that it had acquired the remainder of White Metals’ 9.09% interest in the Norton Lake property, thus increasing its ownership position to 69.79%.

At October 31, 2015, management identified indicators of impairment on the Norton Lake property and as a result recorded an impairment on the property. The primary indicator of impairment was that the Company has not incurred substantive expenditure on the property in the last three years and no further expenditure is currently budgeted.

Northwestern Ontario Gold Properties

On March 7, 2017, the Company announced that it had entered into a mineral property option agreement to acquire up to 100% of four separate properties made up of seven claims. The properties are situated in the Kenora and Patricia mining divisions in Northwestern Ontario and are known as the Queen Alexandria Gold Property, the Mine Lake Gold Property, the Grand Chibougamau Gold Property and the Centrefire-Redhat Gold-Copper Property, collectively the NWO Gold Properties.

Copper Lake can earn 25% interest of these properties by payment of \$10,000 and 200,000 shares upon signing and an additional \$10,000 and 200,000 shares within four months of approval by the TSX, which approval was received on March 24, 2017. The initial payment of \$10,000 has been made and the 200,000 shares have been issued. The second payment of \$10,000 has also been made and the additional 200,000 shares have been issued.

To earn 75% Copper Lake needs to pay \$60,000 and issue 600,000 shares over 3 years and spend at least \$2,000,000 on the properties. Copper Lake can earn up to 100% interest by completing a 43-101 compliant resource estimate with 500,000 ounces on the properties and payment of 250,000 shares.

If at any time Copper Lake decides to return any of the four properties, the future cash, share and expenditure commitments will also reduce by 25% for each property returned.

The Optionor will retain a 2% net smelter royalty (“NSR”). Copper Lake can acquire half (1%) of the NSR for \$1 million and will have a right of refusal to acquire the remaining 1%. The transaction was approved by the TSX on March 24, 2017.

Copper Lake Resources Ltd.
Notes to the Financial Statements

For the Year Ended October 31, 2017

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4. MINERAL PROPERTY INTERESTS *(Continued)*

The Company's acquisition costs on the mineral property interests are as follows:

	Marshall Lake Property	Norton Lake Property	NOW Gold Properties	Total
Balance, October 31, 2015	\$ 296,000	\$ -	-	\$ 296,000
Acquisition costs	2,243,262	-	-	2,243,262
Balance, October 31, 2016	\$ 2,539,262	\$ -	-	\$ 2,539,262
Acquisition costs	-	-	36,000	36,000
Balance, October 31, 2017	\$ 2,539,262	\$ -	36,000	\$ 2,575,262

Acquisition costs for the Norton Lake property in the amount of \$400,000 were impaired during the year ended October 31, 2015.

Exploration and evaluation expenses

Details of the Company's exploration and evaluation expenditures, which have been cumulatively expensed in the statement of loss and comprehensive loss, are as follows:

For the year ended October 31, 2017	Marshall Lake Property	Norton Lake Property	NOW Gold Properties	Total
Advance royalty payments	12,500	-	-	12,500
Assays	17,124	-	-	17,124
Claims management	23,726	-	1,227	24,953
Field office	12,000	-	-	12,000
Geological and geophysical	79,769	-	-	79,769
Property taxes and lease rent	4,832	-	-	4,832
Reports	6,515	-	-	6,515
Storage	2,100	-	-	2,100
Proceeds received from JEAP grant	(72,642)	-	-	(72,642)
Expenditures for the year	85,924	-	1,227	87,151
Cumulative balance - October 31, 2016	3,331,732	819,864	-	4,151,596
Cumulative balance - October 31, 2017	\$ 3,417,656	\$ 819,864	1,227	\$ 4,238,747

For the year ended October 31, 2016	Marshall Lake Property	Norton Lake Property	NOW Gold Properties	Total
Advance royalty payments	12,500	-	-	12,500
Assays	605	-	-	605
Claims management	13,899	-	-	13,899
Field office	-	-	-	-
Geological and geophysical	138,082	-	-	138,082
Property taxes and lease rent	9,128	-	-	9,128
Reports	24,597	-	-	24,597
Transportation	1,791	-	-	1,791
Expenditures for the year	200,602	-	-	200,602
Cumulative balance - October 31, 2015	3,131,130	819,864	-	3,950,994
Balance, October 31, 2016	\$ 3,331,732	\$ 819,864	-	\$ 4,151,596

Copper Lake Resources Ltd.
Notes to the Financial Statements

For the Year Ended October 31, 2017
(Expressed in Canadian dollars)

5. CONVERTIBLE DEBENTURES

	Principal Amount	Liability Component	Equity Component
Balance at October 31, 2015	\$ -	\$ -	\$ -
Issuance of convertible debentures	770,000	524,049	245,951
Conversion of convertible debentures	(251,370)	(171,078)	(80,292)
Accretion	-	12,124	-
Balance October 31, 2016	\$ 518,630	\$ 365,095	\$ 165,659
Conversion of convertible debentures	(406,130)	(300,054)	(129,769)
Accretion	-	18,802	-
Balance October 31, 2017	\$ 112,500	\$ 83,843	\$ 35,890

On April 28, 2016, the Company closed a \$420,000 non-brokered private placement of convertible debentures. The unsecured subordinated convertible debentures bear interest at 12% per annum, calculated annually and have a term of five years from the date of issue. At the date of issue \$285,845 was allocated to the liability component of the convertible debenture and the residual amount of \$134,155 was allocated to the equity component, based on an effective interest rate of 20%.

The debentures are convertible into units at the rate of \$0.05 for the first year and \$0.10 thereafter. Each unit is comprised of one common share and one common share warrant of the Company. Each common share warrant entitles the holder to purchase one additional common share of the Company at an exercise price equal to the conversion price at the time of issuance of the warrants. The warrants will expire on the date which is the earlier of (a) four years from the date of issuance of the warrant, and (b) April 28, 2021.

On September 29, 2016, the Company issued \$350,000 of convertible debentures in connection with the acquisition of the additional interest in the Marshall Lake property, as described in note 4. The unsecured subordinated convertible debentures bear interest at 12% per annum, calculated annually and have a term of five years from the date of issue. At the date of issue \$238,204 was allocated to the liability component of the convertible debenture and the residual amount of \$111,796 was allocated to the equity component, based on an effective interest rate of 20%.

The debentures are convertible into units at the rate of \$0.055 for the first year and \$0.10 thereafter. Each unit is comprised of one common share and one common share warrant of the Company. Each common share warrant entitles the holder to purchase one additional common share of the Company at an exercise price equal to the conversion price at the time of issuance of the warrants. The warrants will expire on the date which is the earlier of (a) four years from the date of issuance of the warrant, and (b) September 29, 2021.

Immediately following the closing of the above acquisition in the year ended October 31, 2016, debentures with a principal value of \$251,370 were converted into units (see note 6).

During the year ended October 31, 2017, holders of debentures with a principal value of \$406,130 converted their debentures into units, resulting in the issuance of 7,943,273 common shares and 7,943,273 warrants (see note 6).

6. CAPITAL STOCK

The common shares of the Company are entitled to one vote per share at meetings of the shareholders of the Company, and upon dissolution or any other distribution of assets, to receive pro rata such assets of the Company as are distributable to the holders of common shares.

The Company is authorized to issue unlimited common shares without par value.

During the year ended October 31, 2017, the Company completed the following share transactions:

- a) On March 24, 2017, the Company issued 200,000 shares in connection with the acquisition of the NOW Properties, and on July 24, 2017 the Company issued the second tranche of 200,000 shares, for a total of 400,000 shares.
- b) On April 18, 2017 the Company reached an agreement with Rainy Mountain, its joint venture partner on the Marshall Lake property, to acquire all of the camp assets owned by Rainy Mountain at the Marshall Lake property. The Company and Rainy Mountain also agreed to extend the option agreement for a further 12 months, to July

Copper Lake Resources Ltd.

Notes to the Financial Statements

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6. CAPITAL STOCK *(Continued)*

15, 2018. As consideration for the purchase of the camp assets and the extension of the option agreement, the Company issued 600,000 shares to Rainy Mountain.

- c) On April 27, 2017, holders of convertible debentures with a principal value of \$307,500 elected to convert the debentures into units at a conversion rate of \$0.05 per unit, with each unit comprising one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.05 for a period of four years from the date of conversion. As a result of the conversion, a total of 6,150,000 common shares and 6,150,000 warrants were issued. Accrued interest to the date of conversion in the amount of \$50,400 was settled through the issuance of 1,008,000 common shares and 490,800 common share purchase warrants. These warrants have the same terms as the warrants issued above.
- d) On September 26, 2017, holders of convertible debentures with a principal value of \$98,630 elected to convert the debentures into units at a conversion rate of \$0.055 per unit, with each unit comprising one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.055 for a period of four years from the date of conversion. As a result of the conversion, a total of 1,793,273 common shares and 1,793,273 warrants were issued.

During the year ended October 31, 2016, the Company completed the following share transactions:

- a) On December 10, 2015, the Company completed a debt settlement with Prairie Enterprises (Alberta) Inc., a company controlled by a director, whereby the Company issued 7,000,000 common shares and 900,000 share purchase warrants to settle debt in the amount of \$396,692. The share purchase warrants have an exercise price of \$0.10 and expire 18 months from the date of issue. The settlement resulted in a gain of \$67,112 which has been recorded in reserves in equity.
- b) On January 14, 2016, the Company announced that it closed a private placement, and issued 198,000 units at \$0.05 per unit for gross proceeds of \$9,900. Each unit consists of one common share and one half share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one additional common share at a price of \$0.10 for a period of 18 months from the date of issue.
- c) On September 26, 2016, the Company announced that it closed a private placement, and issued 2,483,332 non-flow through units at \$0.06 and 4,049,997 flow through units at \$0.06 for total gross proceeds of \$392,000. Each flow through unit consists of one flow-through common share and one-half of one common share purchase warrant, with each full warrant being exercisable at \$0.15 for two years. Each non-flow through unit consists of one non flow-through common share and one full common share purchase warrant, with each full warrant being exercisable at \$0.15 for two years. The share purchase warrants will be subject to the right of the Company to accelerate the exercise if the shares of the Company trade at or above \$0.25 for a period of ten consecutive trading days.

In connection with financing, the Company paid finders fees of \$9,920 and issued 165,333 broker warrants. The broker warrants will be exercisable at \$0.15 for twenty-four months from closing.

- d) On September 29, 2016, the Company announced that it had closed the acquisition of the 31.25% interest in the Marshall Lake property held by MLMP, a privately held UK based company. In consideration the Company issued 34,422,938 common shares and a principal amount of \$350,000 of 12% five year unsecured convertible debentures (see note 5).
- e) On October 11, 2016, the Company announced that convertible debentures with a principal value of \$251,370 that were issued to MLMP had been converted into units, consisting of common shares and common share warrants. The debentures were converted at the conversion rate of \$0.055 per unit and resulted in the issuance of 4,570,363 common shares and 4,570,363 common share warrants. Each common share warrant entitles the holder to acquire one additional common share at a price of \$0.055 for a period of four years from the date of issue.

The Company has reclassified certain amounts within equity relating to common share options that expired during the year by transferring amounts from reserves to deficit. During the year ended October 31, 2017, the amount transferred from reserves to deficit was \$25,547 (2016 - \$120,310).

Copper Lake Resources Ltd.
Notes to the Financial Statements

For the Year Ended October 31, 2017
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6. CAPITAL STOCK (Continued)

Share Purchase Warrants

Share purchase warrant transactions are summarized for the years ended as at October 31, 2017 and 2016:

	October 31, 2017		October 31, 2016	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Opening balance	10,243,025	\$ 0.103	-	\$ -
Issued	8,434,073	0.051	10,243,205	0.103
Expired (999,000)	(999,000)	-	-	-
Ending balance	17,678,098	\$ 0.078	10,243,025	\$ 0.103
Warrants exercisable	17,678,098	\$ 0.078	10,243,025	\$ 0.103

As at October 31, 2017 the following share purchase warrants were outstanding:

Expiry Date	Number of Warrants		Exercise Price
	October 31, 2017	October 31, 2016	
June 10, 2017	-	900,000	\$ 0.100
July 14, 2017	-	99,000	0.100
September 26, 2018	4,673,662	4,673,662	0.150
September 29, 2020	4,570,363	4,570,363	0.055
April 27, 2021	6,150,000	-	0.050
July 5, 2021	490,800	-	0.050
September 26, 2021	1,793,273	-	0.055
Outstanding and exercisable	17,678,098	10,243,025	\$ 0.078

Share Options

The Company has a share option plan, under which the Board of Directors is authorized to grant options to employees, directors, officers and consultants, enabling them to acquire up to 10% of the issued and outstanding share capital of the Company. The exercise price of each option is based on the market price of the Company's shares as calculated on the date of grant. The options can be granted for a maximum term of five years. Options granted to investor relations consultants are subject to vesting provisions, as established by regulatory authorities, over a twelve-month period, with no more than ¼ vesting during any three month period. Vesting provisions for other options are determined by the Company's Board of Directors.

During the year ended October 31, 2017, the Company did not grant any options.

During the year ended October 31, 2016 the Company granted 5,600,000 stock options to its officers and directors, with a weighted average exercise price of \$0.05. The options vested immediately and are exercisable for a period of five years from the date of grant. The estimated weighted average grant date fair value of the options was \$0.034 per option, as determined using the Black-Scholes valuation model and the following assumptions: risk free interest rate – 0.50%; expected life in years – 5; expected volatility 83% to 107%; and expected forfeiture rate – 0%. Expected volatility was based on the historical volatility of the Company's share price.

Copper Lake Resources Ltd.
Notes to the Financial Statements

For the Year Ended October 31, 2017

(Expressed in Canadian dollars)

6. CAPITAL STOCK (Continued)

The following options were outstanding as at October 31, 2017 and 2016:

	2017		2016	
	Number of Options	Weighted Ave Exercise Price	Number of Options	Weighted Ave Exercise Price
Opening balance	5,715,000	0.053	745,000	0.210
Granted	-	-	5,600,000	0.051
Expired	(115,000)	0.160	(630,000)	0.210
Ending balance	5,600,000	\$0.051	5,715,000	\$0.053
Options exercisable	5,600,000	\$0.051	5,715,000	\$0.053

Expiry Date	Number of Options		Exercise Price
	2017	2016	
July 3, 2017	-	80,000	0.160
August 29, 2017	-	35,000	0.160
April 6, 2021	2,250,000	2,250,000	0.050
July 29, 2021	2,250,000	2,250,000	0.050
August 8, 2021	100,000	100,000	0.065
September 29, 2021	1,000,000	1,000,000	0.055
Outstanding and exercisable	5,600,000	5,715,000	\$ 0.051
Weighted average remaining life	3.65 years	4.55 years	

Share-based compensation

During the year ended October 31, 2017, the Company recognized \$nil (2016 - \$189,105) as share-based compensation expense for options vested during the period.

During the year, reserves were decreased by the amount of \$29,681 (2016 - \$120,310) upon the expiry of unexercised incentive share options previously expensed as share-based compensation in operations.

7. RELATED PARTY TRANSACTIONS

The following are related party transactions that have occurred during the year ended October 31, 2017 which have not yet otherwise been disclosed herein.

The Company paid or accrued the following amounts to directors, companies controlled by directors or companies having common directors:

	2017	2016
Interest on convertible debentures	23,592	13,178
Rent	-	2,950
	\$ 23,592	\$ 16,128

Key management compensation

Key management includes directors and other key personnel, including the CEO, President and CFO, who have authority and responsibility for planning, directing, and controlling the activities of the Company. The compensation paid to these key management personnel for the years ended October 31, 2017 and 2016 is outlined below:

	2017	2016
Consulting fees	-	53,500
Share-based compensation	-	189,105
	\$ -	\$ 242,605

Copper Lake Resources Ltd.

Notes to the Financial Statements

For the Year Ended October 31, 2017

(Expressed in Canadian dollars)

7. RELATED PARTY TRANSACTIONS *(Continued)*

During the year ended October 31, 2017, a director of the Company charged fees in the amount of \$22,000 for providing geological consulting services. The amount was forgiven by the director during the year and was treated as a capital contribution.

Included in accounts payable and accrued liabilities as at October 31, 2017 is \$127,840 (2015 - \$139,306) owed to directors, companies controlled by former directors or companies having certain directors in common.

Included in deposits at October 31, 2017 is \$nil (2015 - \$2,457) as office rent deposit, which is held by a public company with a director in common.

The advances from shareholder in the amount of \$1,357 were advanced by a director and are non-interest bearing and have no terms of repayment.

Directors and officers of the Company participated in the convertible debenture financing that closed on April 28, 2016 and subscribed to a total of \$205,500 out of the total issue of \$420,000.

8. COMMITMENTS

The Company currently has no commitments.

9. CAPITAL MANAGEMENT

The Company defines its capital under management as shareholders' equity. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure that optimizes the costs of capital at an acceptable risk level.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

To fund future operations and exploration activities, the Company will need to raise funds through future share issuances, issue new debt or dispose of assets.

There have been no changes to the Company's approach to capital management during the year ended October 31, 2017. The Company is not subject to externally imposed capital requirements.

10. FINANCIAL INSTRUMENTS

Fair value

The Company classifies its cash and cash equivalents, restricted cash, receivables and deposits as loans and receivables; and accounts payable and accrued liabilities and loan payable, advances from shareholders and convertible debt as other financial liabilities.

The carrying values of cash and cash equivalents, restricted cash, deposits and receivables approximate their fair values due to the short-term maturity of these financial instruments. The fair value of the accounts payable and accrued liabilities, loan payable, convertible debt and advances from shareholder approximates their fair value due to the short-term nature of these financial instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below.

Credit risk

Credit risk is the risk of potential loss to the Company if a counter party to a financial instrument fails to meet its payment obligations. The Company is exposed to credit risk with respect to its cash and cash equivalents and other receivables.

Copper Lake Resources Ltd.
Notes to the Financial Statements

For the Year Ended October 31, 2017

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10. FINANCIAL INSTRUMENTS *(Continued)*

The Company's credit risk is primarily attributable to cash and cash equivalents and receivables. Management believes that the credit risk concentration with respect to cash and cash equivalents and receivables is remote as it maintains accounts with highly-rated financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. At October 31, 2017, the Company had current liabilities of \$312,119 (2016 - \$335,161).

Based on the current funds held, the Company will need to rely upon financing from shareholders and/or debt holders to obtain sufficient working capital. There is no assurance that such financing will be available on terms and conditions acceptable to the Company. See Notes 1 and 14.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity prices. The Company is not exposed to any significant interest rate risk volatility or exchange rate volatility.

11. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2017	2016
Net loss for the year	\$ (259,308)	\$ (651,422)
Expected income tax recovery	\$ (68,717)	\$ (172,627)
Share based compensation	-	50,113
Other permanent differences	5,830	
Change in tax loss benefits not recognized	62,887	122,514
Income tax recovery (expense)	\$ -	\$ -

The significant components of the Company's unrecognized temporary differences, including unused tax credits and unused tax losses are as follows:

	2017	2016
Temporary differences:		
Canadian eligible capital (CEC)	32,359	32,359
Cumulative Canadian exploration expenses	3,226,903	3,323,837
Cumulative Canadian development expenses	898,500	898,500
Foreign exploration and development expenses	270,213	270,213
Earned depletion base	130,006	130,006
Non-capital losses available for future periods	5,089,691	4,998,449

As at October 31, 2017, the Company has non-capital losses of \$5,089,691 (2016 - \$4,998,449) available to reduce taxable income in future years which expire in years over the period from 2026 to 2037. The benefits of these available tax losses and tax assets have not been recognized in the financial statements.

During the current fiscal year the Company recorded expenditures in the amount of \$146,066 (2016 - \$188,102) that qualify as Canadian Exploration Expenditures ("CEE") under the Income Tax Act (Canada) and renounced CEE expenditures in the amount of \$243,000 (2016 - \$nil).

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Notes to the Financial Statements

For the Year Ended October 31, 2017

(Expressed in Canadian dollars)

12. SEGMENTED INFORMATION

The Company currently has one business segment and operates in the mineral exploration business in Canada.

13. CONTINGENCY

The Company was named in a lawsuit filed in June 2016, by Ronald Coombes (“Coombes”), the former President and CEO and former director, who tendered his resignation as President, CEO and director of Copper Lake in February 2016. Coombes is seeking payment for amounts claimed to be owing for consulting fees and reimbursement of expenses and unspecified damages. He is also seeking damages for alleged termination of his consulting agreement. In conjunction with the lawsuit, a prejudgment garnish order was served on the Company which resulted in \$118,390 being held by the BC Supreme Court pending the outcome of the lawsuit. The claims made by Coombes excluding damages total \$118,390. These amounts were recorded in the records of the Company while Coombes was President and CEO and remain on the books pending the outcome of the lawsuit. The Board of Directors considers that the claim made by Coombes has no merit and has retained legal counsel and filed a defense, and has also filed a counterclaim for breach of fiduciary duty in July 2016. In October 2016, the Company successfully filed an action to have a second former director added to the counterclaim against Coombes. At the present time, management is unable to determine the outcome and potential impact of the claim, if any, and no provision has been booked for the lawsuit as at October 31, 2017.

14. CHANGE IN ACCOUNTING POLICY

During the year ended October 31, 2017, the Company retrospectively changed its IFRS policy under IFRS 6 – *Exploration and Evaluation of Mineral Resources*. The Company previously elected to capitalize all costs related to the acquisition of and exploration and evaluation of its mineral properties. During the year ended October 31, 2017, the Company changed its policy under IFRS 6 to expense all costs related to the exploration and evaluation of mineral properties and only capitalize acquisition costs. Management’s position is that this policy change provides more relevant, reliable and understandable information to financial statement users. The Company has applied the change in accounting policy on a retrospective basis and has therefore restated its opening balances as of November 1, 2015 and its prior year comparative figures as follows:

Statement of Financial Position

As at November 1, 2015	Previously Reported	Effect of Change	Restated
Mineral property interests	3,427,130	(3,131,130)	296,000
Total assets	3,449,531	(3,131,130)	318,401
Accumulated deficit	(9,233,718)	(3,131,130)	(12,364,848)
Total shareholders’ equity (deficiency)	2,646,739	(3,131,130)	(484,391)
Total liabilities and shareholders’ equity (deficiency)	3,449,531	(3,131,130)	318,401

Statement of Financial Position

As at October 31, 2016	Previously Reported	Effect of Change	Restated
Mineral property interests	5,870,994	(3,331,732)	2,539,262
Total assets	6,179,243	(3,331,732)	2,847,511
Accumulated deficit	(9,564,228)	(3,331,732)	(12,895,960)
Total shareholders’ equity (deficiency)	5,478,987	(3,331,732)	2,147,255
Total liabilities and shareholders’ equity (deficiency)	6,179,243	(3,331,732)	2,847,511

Statement of Loss and Comprehensive Loss

For the year ended October 31, 2016	Previously Reported	Effect of Change	Restated
Exploration and evaluation expenditures	-	200,602	200,602
Net loss and comprehensive loss for the year	450,820	200,602	651,422
Loss per share	(0.01)	(0.00)	(0.01)

Copper Lake Resources Ltd.
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(Expressed in Canadian dollars)

15. SUBSEQUENT EVENTS

On December 14, 2017, the Company announced a private placement of up to \$500,000 through a combination of flow-through units and non-flow-through units. On December 28, 2017, the Company announced that it had closed the first tranche consisting of 7,000,000 flow-through units at a price of \$0.05 for gross proceeds of \$350,000. On January 30, 2018, the Company announced that it was increasing the maximum amount of the private placement to \$750,000 and extending the closing date to March 1, 2018.

On January 18, 2018, the Company announced that it had granted 3,350,000 options to directors, officers and consultants at a price of \$0.05 for a term of five years.