

**GFK RESOURCES INC.**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**(Unaudited – Prepared by Management)**

**For the nine months ended May 31, 2017 and 2016**

(Expressed in Canadian dollars)

**GFK RESOURCES INC.**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
NINE MONTHS ENDED MAY 31, 2017 AND 2016  
(Unaudited – Prepared by Management)

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**GFK RESOURCES INC.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	<b>May 31, 2017</b>	<b>August 31, 2016</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 561,503	\$ 169,342
Receivables (Note 4)	427,347	119,357
Prepaid expenses	<u>8,738</u>	<u>3,690</u>
	997,588	292,389
Exploration and evaluation assets (Note 5)	<u>1,685,659</u>	<u>1,180,070</u>
	<u>\$ 2,683,247</u>	<u>\$ 1,472,459</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities (Note 6)	\$ 263,795	\$ 193,118
Due to related parties (Note 10)	<u>23,068</u>	<u>8,602</u>
	286,863	201,720
<b>Shareholders' equity</b>		
Share capital (Note 7)	15,939,602	15,122,203
Obligation to issue shares, net of issue costs (Note 15)	492,394	-
Share-based payments reserve (Note 8)	503,658	503,658
Deficit	<u>(14,539,270)</u>	<u>(14,355,122)</u>
	<u>2,396,384</u>	<u>1,270,739</u>
	<u>\$ 2,683,247</u>	<u>\$ 1,472,459</u>

**Nature of operations and going concern** (Note 1)

**Subsequent event** (Note 15)

**On behalf of the Board:**

"Louis Morin"  
**Director**

"Michael Kinley"  
**Director**

The accompanying notes are an integral part of these financial statements

**GFK RESOURCES INC.**  
**CONDENSED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

	<b>Three Months Ended May 31, 2017</b>	<b>Three Months Ended May 31, 2016</b>	<b>Nine Months Ended May 31, 2017</b>	<b>Nine Months Ended May 31, 2016</b>
<b>EXPENSES</b>				
Claims management	\$ 525	\$ -	\$ 1,124	\$ 5,391
Consulting fees (Note 10)	27,747	36,318	85,541	96,656
Insurance	3,213	3,249	9,501	9,464
Investor relations	-	-	374	-
Office and administration	3,384	3,215	10,458	9,616
Rent	1,500	-	2,000	-
Professional fees	7,584	9,179	31,746	30,877
Shareholder communications	2,870	-	9,628	231
Share-based payments (Note 8)	-	-	-	-
Transfer agent and filing fees	10,751	4,535	21,053	12,907
Travel	<u>4,968</u>	<u>-</u>	<u>12,723</u>	<u>2,382</u>
	(62,542)	(56,514)	(184,148)	(167,524)
<b>Write-down of exploration and evaluation assets (Note 5)</b>	-	(134,482)	-	(375,077)
<b>Interest income</b>	-	2,033	-	2,033
<b>Loss and comprehensive loss for the period</b>	<u>\$ (62,542)</u>	<u>\$ (188,963)</u>	<u>\$ (184,148)</u>	<u>\$ (540,568)</u>
<b>Basic and diluted loss per common share</b>	\$ (0.00)	\$ (0.01)	\$ (0.00)	\$ (0.01)
<b>Weighted average number of common shares outstanding</b>	49,639,373	37,509,373	48,970,509	37,509,373

The accompanying notes are an integral part of these financial statements

**GFK RESOURCES INC.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
(Unaudited - Prepared by Management)  
(Expressed in Canadian Dollars)

	<b>Nine Months Ended May 31, 2017</b>	<b>Nine Months Ended May 31, 2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (184,148)	\$ (540,568)
Write-down of exploration and evaluation assets	-	375,077
Changes in non-cash working capital items:		
Receivables	(60,150)	246,900
Prepaid expenses	(5,048)	(4,486)
Due to related parties	14,465	5,657
Accounts payable and accrued liabilities	<u>(48,057)</u>	<u>(11,615)</u>
Net cash used in operating activities	<u>(282,938)</u>	<u>70,965</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Expenditures on exploration and evaluation assets	<u>(634,694)</u>	<u>(33,897)</u>
Net cash used in investing activities	<u>(634,694)</u>	<u>(33,897)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Issuance of shares for cash	913,000	-
Share issue costs	(95,601)	-
Obligation to issue shares, net of issue costs	<u>492,394</u>	<u>-</u>
	<u>1,309,793</u>	<u>-</u>
<b>Increase in cash during the period</b>	392,161	37,068
<b>Cash, beginning of period</b>	<u>169,342</u>	<u>393,165</u>
<b>Cash, end of period</b>	<u>\$ 561,503</u>	<u>\$ 430,233</u>

Supplemental disclosure with respect to cash flows (Note 11)

The accompanying notes are an integral part of these financial statements

**GFK RESOURCES INC.**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
(Unaudited - Prepared by Management)  
(Expressed in Canadian Dollars)

	Number of Shares	Share Capital	Obligation to Issue Shares	Share- based Payments Reserve	Deficit	Total
<b>Balance, August 31, 2015</b>	37,509,373	\$ 14,732,203	\$ -	\$ 468,018	\$ (13,690,882)	\$ 1,509,339
Share-based payments	-	-	-	35,640	-	35,640
Shares issued for exploration and evaluation assets	3,000,000	390,000	-	-	-	390,000
Loss and comprehensive loss for the year	-	-	-	-	(664,240)	(664,240)
<b>Balance, August 31, 2016</b>	40,509,373	\$ 15,122,203	\$ -	\$ 503,658	\$ (14,355,122)	\$ 1,270,739
Shares issued for cash	9,130,000	913,000	-	-	-	913,000
Share issue costs	-	(95,601)	-	-	-	(95,601)
Obligation to issue shares, net of costs	-	-	492,394	-	-	492,394
Loss and comprehensive loss for the period	-	-	-	-	(184,148)	(184,148)
<b>Balance, May 31, 2017</b>	49,639,373	\$ 15,939,602	\$ 492,394	\$ 503,658	\$ (14,539,270)	\$ 2,396,348

The accompanying notes are an integral part of these financial statements

**GFK RESOURCES INC.****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

(Unaudited - Prepared by Management)

NINE MONTHS ENDED MAY 31, 2017 AND 2016

**1. NATURE OF OPERATIONS AND GOING CONCERN**

The principal business activity of GFK Resources Inc. (the "Company" or "GFK") is the acquisition and exploration of exploration and evaluation assets, primarily in Canada. The Company was incorporated in British Columbia on August 29, 1979 and was continued under the Canada Business Corporations Act on July 13, 2012. The Company is an exploration stage company.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes 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 does not generate sufficient cash flow from operations to adequately fund its activities and has therefore relied principally upon the support of creditors, related parties and issuance of securities for financing. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of securities to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. Although these financial statements do not include any adjustments that may result from the inability to secure future financing, such a situation would have a material adverse effect on the Company's recoverability of assets, classification of assets and liabilities, and results of operations should the Company be unable to continue as 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 operating revenue and has significant cash requirements to meet its administrative overhead and maintain its exploration and evaluation assets. The recoverability of amounts shown for exploration and evaluation assets is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of exploration and evaluation assets. The carrying value of the Company's exploration and evaluation assets do not reflect current or future values. The Company has not yet determined whether its exploration and evaluation assets contain economically recoverable ore reserves. The recovery of the amounts comprising exploration and evaluation assets are dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete the exploration and development of those reserves and upon future profitable production or, alternatively, upon the Company's ability to dispose of its interest on an advantageous basis. The Company estimates that additional funding could be required to continue operations over the next 12 months. These material uncertainties may cast significant doubt upon the entity's ability to continue as a going concern.

	<b>May 31, 2017</b>	<b>August 31, 2016</b>
Deficit	\$ (14,539,270)	\$ (14,355,122)
Working capital	\$ 710,725	\$ 90,669

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of Compliance**

These condensed interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34"). These condensed interim financial statements follow the same accounting policies and methods of application as our most recent annual financial statements. Accordingly, the condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended August 31, 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Board of Directors approved the financial statements on July 27, 2017.

### **Basis of presentation**

These financial statements have been prepared on an accrual basis and are based on the historical costs, except for certain financial instruments which are measured at fair value. The financial statements are presented in Canadian dollars, which is also the Company's functional currency.

### **Use of estimates**

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

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

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, valuation of share-based compensation and other equity based payments, the recoverability and measurement of deferred tax assets and liabilities, and the accrual of refundable mining tax credits.

Key estimates made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements are as follows:

#### Economic recoverability and probability of future economic benefits of exploration and evaluation assets

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

#### Valuation of share-based compensation

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

#### Income taxes

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

## **2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

### **Use of estimates (cont'd)**

#### Accrual of refundable mining tax credits

The provincial government of Quebec provides for a refundable tax on net qualified mining exploration expenditures incurred in Quebec. The credit is calculated as 36% of qualified mining exploration expenses. Management has estimated and accrued the likely refundable amount arising from expenditures incurred.

### **Newly adopted standards, interpretations and amendments**

There were no new or amended standards that became effective for the Company's August 31, 2016 reporting period that had a significant effect on the financial statements.

### **New standards, interpretations and amendments not yet effective**

A number of new standards, amendments to standards and interpretations are not yet effective as of August 31, 2016, and have not been applied in preparing these financial statements.

### **Effective for annual periods beginning on or after January 1, 2016**

#### **IAS 16 & IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization***

Amended to (i) clarify that the use of a revenue-based depreciation and amortization method is not appropriated, and (ii) provide a rebuttable presumption for intangible assets.

### **Effective for annual periods beginning on or after January 1, 2017**

#### **IAS 12, *Income Taxes***

Amendments to IAS 12 to clarify the recognition of a deferred tax asset for unrealized losses.

### **Effective for annual periods beginning on or after January 1, 2018**

#### **IFRS 9, *Financial Instruments – Classification and Measurement***

IFRS 9 is a new standard on financial instruments that will replace IAS 39, *Financial Instruments: Recognition and Measurement*.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

The Company has not early adopted these revised standards and none of these standards are expected to have a material effect on the financial statements.

### **3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

#### **Fair values**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets and 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).

The fair value of cash is determined using level 1 of the fair value hierarchy. The carrying values of receivables, accounts payable and accrued liabilities and due to related parties approximate their fair values due to the expected maturity of these financial instruments.

#### **Financial instrument risk exposure and risk management**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

##### **(a) Credit risk**

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company manages credit risk, in respect of cash, by placing its cash with a major Canadian financial institution in accordance with the Company's investment policy. In regards to the receivables, the Company is not exposed to significant credit risk as they are due from governmental agencies.

**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (cont'd...)

**Financial instrument risk exposure and risk management** (cont'd...)

(a) Credit risk (cont`d)

Concentration of credit risk exists with respect to the Company's cash as all amounts are held at a single major Canadian financial institution. The Company's concentration of credit risk and maximum exposure thereto is considered minimal.

The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet commitments. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. The Company normally maintains sufficient cash to meet the Company's business requirements.

Liabilities at May 31, 2017, together with their expected payment were as follows:

	<b>0 to 3 months</b>	<b>3 to 6 months</b>	<b>6 to 12 months</b>	<b>&gt; 12 months</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$ 248,795	\$ 15,000	\$ -	\$ -	\$ 263,795

Liabilities at August 31, 2016, together with their expected payment were as follows:

	<b>0 to 3 months</b>	<b>3 to 6 months</b>	<b>6 to 12 months</b>	<b>&gt; 12 months</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$ 173,118	\$ -	\$ 20,000	\$ -	\$ 193,118

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and commodity price risk.

i. Interest rate risk

The Company has cash balances which earn interest subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade demand deposit certificates issued by its banking institutions. Management believes that interest rate risk is remote. A 1% change in the interest rate would have no significant impact on interest income reported at May 31, 2017.

ii. Foreign currency risk

The Company is not exposed to foreign currency risk as all monetary assets and liabilities are denominated in Canadian currency.

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**3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (cont'd...)

(c) Market risk (cont'd)

iii. Commodity price risk

Commodity price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company actively monitors commodity price changes and stock market prices to determine the appropriate course of action to be taken by the Company.

**4. RECEIVABLES**

Receivables consist of:

	<b>May 31, 2017</b>	<b>August 31, 2016</b>
Input tax credits receivable	\$ 125,956	\$ 53,411
Refundable mining tax credits receivable	<u>301,391</u>	<u>65,946</u>
	<u>\$ 427,347</u>	<u>\$ 119,357</u>

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**5. EXPLORATION AND EVALUATION ASSETS**

The Company incurred property acquisition and deferred exploration costs, which are included in exploration and evaluation assets, as follows:

	Vezza North	Vezza Extension	Bachelor Extension	WinWin	Grizzly	Fecteau	Courville	Total
<b>Balance, August 31, 2016</b>	\$ 457,728	\$ 398,540	\$ 209,924	\$ 39,427	\$ 34,426	\$ 39,367	\$ 658	\$ 1,180,070
Deferred exploration costs:								
Drilling	97,491	64,018	49,606	100,642	-	-	-	311,757
Geophysical	-	-	-	41,059	76,482	39,259	-	156,800
Geological	7,696	4,645	9,124	16,543	37,412	27,116	-	102,536
General field expense	20,218	13,500	23,303	27,484	51,997	26,590	-	163,092
Claim management	3,641	2,894	1,571	350	4,020	4,016	897	17,389
	<u>129,046</u>	<u>85,057</u>	<u>83,604</u>	<u>186,078</u>	<u>169,911</u>	<u>96,981</u>	<u>897</u>	<u>751,574</u>
Acquisition costs								
Cash	-	-	-	-	-	1,855	-	1,855
Shares	-	-	-	-	-	-	-	-
Legal and other	-	-	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,855</u>	<u>-</u>	<u>1,855</u>
Total expenditures	<u>129,046</u>	<u>85,057</u>	<u>83,604</u>	<u>186,078</u>	<u>169,911</u>	<u>98,836</u>	<u>897</u>	<u>753,429</u>
Refundable tax credits	<u>(42,323)</u>	<u>(27,738)</u>	<u>(27,687)</u>	<u>(62,702)</u>	<u>(56,005)</u>	<u>(31,385)</u>	<u>-</u>	<u>(247,840)</u>
<b>Balance, May 31, 2017</b>	\$ 544,451	\$ 455,859	\$ 265,841	\$ 162,803	148,332	\$ 106,818	\$ 1,555	\$ 1,685,659

**GFK RESOURCES INC.**  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
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**5. EXPLORATION AND EVALUATION ASSETS**

The Company incurred property acquisition and deferred exploration costs, which are included in exploration and evaluation assets, as follows:

	Vezza North	Vezza Extension	Bachelor Extension	Florence & Other	WinWin	Grizzly	Fecteau	Courville	Total
<b>Balance, August 31, 2015</b>	\$ 301,014	\$ 222,102	\$ -	\$ 266,120	\$ -	\$ -	\$ -	\$ 1	\$ 789,237
Reclassification	-	-	71,093	(71,093)	-	-	-	-	-
Deferred exploration costs:									
Geophysical	1,373	54,137	-	64,078	-	-	-	-	119,588
Geological	21,817	-	-	1,162	-	-	-	-	22,979
General field expense	-	-	-	-	-	-	15,008	990	15,998
Claim management	1,366	3,256	383	2,353	-	-	-	-	7,358
	24,556	57,393	383	67,593	-	-	15,008	990	165,923
Acquisition costs									
Cash	-	-	-	128,994	35,000	30,000	25,000	-	218,994
Shares	130,000	130,000	130,000	-	-	-	-	-	390,000
Legal and other	6,876	6,876	6,876	-	4,427	4,426	4,426	-	33,907
	136,876	136,876	136,876	128,994	39,427	34,426	29,426	-	642,901
Refundable tax credits	(4,718)	(17,831)	1,572	(7,347)	-	-	(5,067)	(334)	(33,725)
Write-off of exploration and evaluation assets	-	-	-	(384,266)	-	-	-	-	(384,266)
<b>Balance, August 31, 2016</b>	\$ 457,728	\$ 398,540	\$ 209,924	\$ -	\$ 39,427	34,426	\$ 39,367	\$ 658	\$ 1,180,070

**GFK RESOURCES INC.**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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NINE MONTHS ENDED MAY 31, 2017 AND 2016

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**5. EXPLORATION AND EVALUATION ASSETS (cont'd...)**

**Chibougamau Projects**

On June 20, 2016, the Company entered into three separate option agreements (the "Agreements") with various Quebec based prospectors all dealing at arm's length with the Company.

Pursuant to the Agreements which are summarized below, GFK has acquired an exclusive option to earn up to a 100% interest in the following claim blocks:

The claims are located in the Chibougamau-Chapais and Urban-Barry mining camps.

Under the terms of the Agreements, GFK has the option to acquire 100% interest in each property on the following terms and conditions:

**WinWin**

Cash payments over a 4-year period totalling \$500,000 (year 1 paid subsequently), including an initial payment to the optionors of \$35,000 (paid); incurring exploration expenditures totaling \$2,000,000 over a 4-year period.

**Grizzly**

Cash payments over a 4-year period totalling \$400,000 (year 1 paid subsequently), including an initial payment to the optionors \$30,000 (paid); incurring exploration expenditures totaling \$1,500,000 over a 4-year period.

**Fecteau**

Cash payments over a 4-year period totalling \$355,000 (year 1 paid subsequently), including an initial payment to the optionors \$25,000 (paid); incurring exploration expenditures totaling \$1,200,000 over a 4-year period.

Each property is subject to a 2% NSR of which 1% can be repurchased for a one-time cash payment of \$1,000,000 per property.

**Courville**

Pursuant to an option agreement dated April 30, 2005, the Company acquired a 100% interest in certain mineral claims in Courville Township, Quebec (the "Courville Property"), from a company controlled by common management. To acquire the interest, the Company issued to the vendor 1,000,000 common shares at a value of \$180,000 and was required to incur \$73,000 of expenditures (incurred by Wealth Minerals Ltd. ("Wealth"), a company related by virtue of a common officer). The vendor will retain a 1.5% NSR.

On December 14, 2007, the Company entered into an option agreement with Wealth pursuant to which the Company granted Wealth the option to acquire up to an undivided 20% interest in the Courville Property by incurring expenditures on the property totaling \$375,000 by December 30, 2008 (additional 10% option not exercised). Wealth has earned a 10% interest in the property. The Company will retain a 1.5% NSR.

**Northern Abitibi Projects (Casa Cameron)**

***Original option***

Pursuant to an option agreement dated December 12, 2013 (the "Option Agreement"), and as amended on April 28, 2015, the Company acquired an exclusive option to earn up to a 100% interest in certain mineral claims in the Abitibi Greenstone Belt, Quebec, known as the Casa-Cameron project ("Casa-Cameron"), from a company with a director in common, Adventure Gold Incorporated ("Adventure Gold" or "AGE"). Casa-Cameron is comprised of nine properties: Florence, Vezza North, Vezza Extension and six others.

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Under the terms of the Agreement, GFK had the option (the “First Option”) to acquire an initial 51% undivided interest in the Project on the following terms and conditions:

- following the receipt of the required regulatory approvals, paying \$250,000 (paid) and issuing 2,000,000 common shares (issued at a value of \$500,000); and upon amendment a further payment to Adventure Gold of \$50,000 (paid April 2015);
- funding not less than \$2,000,000 in exploration expenditures by no later than February 28, 2017 (\$690,000 paid in 2014, \$288,981 paid in 2015 and \$61,530 paid to May 31, 2016) (the “Phase 1 Expenditures”), subsequently amended by the Asset Purchase Agreement dated July 20, 2016;
- following the completion of the Phase 1 Expenditures, paying an additional amount of \$1,200,000 in cash or, at the election of GFK, in common shares of GFK, subject to a minimum cash payment of \$200,000, and funding, by no later than February 29, 2020, an additional amount of not less than \$3,000,000 in exploration expenditures (the “Phase 2 Expenditures”), all of which was not completed and was subsequently replaced and amended by the Asset Purchase Agreement (see below);

GFK also had an additional option (the “Second Option”) to acquire Adventure Gold's remaining 49% interest in the Project, which was subsequently replaced and amended by the Asset Purchase Agreement. Adventure Gold acted as operator during the duration of the First Option for an operator's fee equal to 10% of exploration expenditures funded by GFK.

***Asset Purchase Agreement***

On July 20, 2016, the Company concluded an Asset Purchase Agreement (the “Purchase Agreement”) with Adventure Gold Inc. whereby:

- I. the Option Agreement with AGE dated December 11, 2013 pursuant to which the Company was granted the sole and exclusive option to acquire up to a 100% interest in a series of nine blocks of mining claims collectively known as the Casa-Cameron properties has been terminated;
- II. the Company agreed to purchase from AGE three of the Casa Cameron properties (the “Properties”), being Vezza North, Vezza Extension and Bachelor Extension, in exchange for the issuance of a total 3,000,000 common shares to AGE (issued);

Termination of the Option Agreement required the Company to make a good standing payment (the “Payment”) to AGE of \$275,000, payable as \$175,000 on closing (paid) and a further \$100,000 payable no later than November 15, 2016 (paid), subject to a penalty of 10% of the Payment amount if the total Payment is not completed by November 15, 2016. The Payment was inclusive of \$154,000 in exploration expenditures completed on the Casa-Cameron project, with the balance of the Payment recorded as a cash acquisition cost.

Pursuant to the Asset Purchase Agreement, purchase of the Properties is subject to a grant of a 2% net smelter returns royalty (“NSR”) to AGE, 1% of which may be bought back by the Company for \$1,000,000. The Company has also assumed certain existing royalty obligations for certain claims within the Properties. In connection with the Properties, the Company agreed to pay \$1,000,000 to AGE for any of the Properties for which a pre-feasibility study is prepared and filed, payable in cash or shares at the discretion of the Company.

As a result of the termination of the Option Agreement, together with the Payment required by the Asset Purchase Agreement, management concluded that the value of five additional properties (Cere-113, Bell-Vezza, Bruneau-Sinclair, Casagasic and KLM) should be written off, resulting in a total impairment charge of \$384,266 during the year ended August 31, 2016.

\* \* \*

The Company has estimated that \$301,392 (August 31, 2016 - \$65,946) of refundable mining tax credits were receivable from the province of Quebec based on exploration expenditures incurred.

**GFK RESOURCES INC.**  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
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NINE MONTHS ENDED MAY 31, 2017 AND 2016

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**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>May 31, 2017</b>	<b>August 31, 2016</b>
Accrued payable, trade	\$ 248,795	\$ 173,118
Accrued liabilities	<u>15,000</u>	<u>20,000</u>
	<u>\$ 263,795</u>	<u>\$ 193,118</u>

**7. SHARE CAPITAL**

**Authorized**

Unlimited number of common shares without par value. All issued shares are fully paid.

**Transactions**

On September 20, 2016, the Company completed a non-brokered private placement financing of 9,130,000 units at a price of \$0.10 per unit for gross proceeds of \$913,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.15 until March 19, 2018.

See also (Note 15) for subsequent events.

On July 25, 2016, the Company issued 3,000,000 common shares to Adventure Gold Inc. (subsequently Probe Metals Inc.) to acquire three previously optioned properties (Note 5).

**8. SHARE-BASED PAYMENTS RESERVE**

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The number of common shares which may be reserved under the stock option plan is limited to 10% of the aggregate number of common shares of the Company issued and outstanding at the time of the grant of the options.

**GFK RESOURCES INC.**

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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NINE MONTHS ENDED MAY 31, 2017 AND 2016

**8. SHARE-BASED PAYMENTS RESERVE (cont'd...)**

Under the plan, the exercise price of each option equals 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 5 years and vest in accordance with TSX Venture Exchange policies.

**Share-based compensation**

At May 31, 2017, the Company had outstanding share purchase options as follows:

	<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Weighted Average Contractual Life Remaining</b>
Granted February 22, 2008	660,000	\$ 0.15	February 22, 2018	0.73 years
Granted February 14, 2014	375,000	\$ 0.30	February 14, 2019	1.71 years
Granted November 28, 2014	100,000	\$ 0.22	November 28, 2019	2.50 years
Granted June 29, 2016	300,000	\$ 0.20	June 29, 2021	4.08 years
<b>Balance, May 31, 2017</b>	<b>1,435,000</b>			<b>1.81 years</b>

At August 31, 2016, the Company had outstanding share purchase options as follows:

	<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Weighted Average Contractual Life Remaining</b>
Granted February 22, 2008	660,000	\$ 0.15	February 22, 2018	1.48 years
Granted January 20, 2012	100,000	\$ 0.27	January 20, 2017	.39 years
Granted February 14, 2014	375,000	\$ 0.30	February 14, 2019	2.46 years
Granted November 28, 2014	100,000	\$ 0.22	November 28, 2019	3.24 years
Granted June 29, 2016	300,000	\$ 0.20	June 29, 2021	4.83 years
<b>Balance, August 31, 2016</b>	<b>1,535,000</b>			<b>2.42 years</b>

Share purchase option transactions are summarized as follows:

	<b>Number of Options</b>	<b>Weighted Average Exercise price</b>
Balance, August 31, 2015	2,235,000	\$ 0.21
Options granted: June 29, 2016	300,000	\$ 0.20
Options expired	(1,000,000)	\$ 0.21
<b>Balance, August 31, 2016</b>	<b>1,535,000</b>	<b>\$ 0.21</b>
Options expired	(100,000)	\$ 0.27
<b>Balance, May 31, 2017</b>	<b>1,435,000</b>	<b>\$ 0.20</b>
<b>Number of options currently exercisable</b>	<b>1,435,000</b>	<b>\$ 0.20</b>

**GFK RESOURCES INC.**

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(Unaudited - Prepared by Management)

NINE MONTHS ENDED MAY 31, 2017 AND 2016

**8. SHARE-BASED PAYMENTS RESERVE (cont'd...)**

During the year ended August 31, 2016, the Company recognized \$35,640 in share-based payments for the fair value of the vesting portion of the stock options that were granted. The fair value of options granted was estimated at the date of grant using the Black-Scholes option pricing model based on the following weighted average assumptions:

For the year ended	August 31, 2016
Risk free interest rate	0.62%
Expected life of options	5 years
Annualized volatility	161.57%
Dividend yield	0%
Exercise price	\$0.20
Fair value per option	\$0.12

**9. WARRANTS**

As of May 31, 2017, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date	Weighted Average Contractual Life Remaining
9,130,000	\$ 0.15	March 19, 2018	1.56 years
9,130,000			

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average price
Balance, September 1, 2016	-	\$ -
Warrants issued: September 20, 2016	9,130,000	\$ 0.15
Balance, May 31, 2017	9,130,000	\$ 0.15

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
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**10. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

**Management compensation**

The Company defines key management as its directors and officers. Key management personnel compensation comprised:

<b>For the nine months ended May 31</b>	<b>2017</b>	<b>2016</b>
Consulting fees paid to directors and officers (expensed)	\$ 85,541	\$ 60,337
Consulting fees paid to directors and officers (capitalized)	36,785	-
As at year end:		
Due to related parties	23,068	7,475

Amounts due to related parties are owed to directors and officers and/or to companies controlled by them, are non-interest bearing, unsecured, with no specific terms of repayment.

**11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

<b>For the nine months ended May 31:</b>	<b>2017</b>	<b>2016</b>
<b>Cash paid during the period for:</b>		
Interest	\$ -	\$ -
Income taxes	-	-
<b>Non-cash transactions:</b>		
Accrued refundable mining tax credits, net of adjustments	235,446	-
Exploration and evaluation assets in accounts payable	118,734	29,978
Shares issued for exploration and evaluation assets	-	-

## **12. CAPITAL RISK MANAGEMENT**

The Company manages common shares, stock options and share purchase warrants as capital. 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 exploration and evaluation assets and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and makes adjustments to it in light of 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 debt, acquire or dispose of assets, or adjust the amount of cash on hand.

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.

The Company currently has no source of revenues. As such, the Company is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended May 31, 2017. The Company is not subject to externally imposed capital requirements.

## **13. SEGMENTED INFORMATION**

The Company operates in Canada in one business segment being the acquisition and exploration of exploration and evaluation assets.

## **14. BASIC AND DILUTIVE LOSS PER SHARE**

The calculation of basic and diluted loss per share for the period ended May 31, 2017, is based on the loss attributed to the common shareholders of \$184,148 (2016 - \$351,605) and a weighted average number of common shares outstanding of 48,970,509 (2016 - 37,509,373).

Diluted loss per share did not include the effect of 1,435,000 (2016 - 2,235,000) share purchase options or 9,130,000 share purchase warrants as they are anti-dilutive

## **15. SUBSEQUENT EVENT**

On June 22, 2017, the Company completed the first closing of a unit and flow-through share non-brokered private placement for total gross proceeds of \$1,167,200. In total, the Company issued 7,200,000 units at a price of \$0.10 per unit (\$720,000) and 3,440,400 flow-through common shares at a price of \$0.13 per flow-through share (\$447,200). Each unit consists of one common share of the Company and one common share purchase warrant, each warrant entitling the purchaser to acquire one additional common share of the Company at a price of \$0.15 per share until December 21, 2018.

The Company paid total finders' fees of \$28,160 in cash and issued 224,000 non-transferable share purchase warrants, each warrant entitling the holder thereof to purchase one common share of the Company at a price of \$0.10 per share until December 21, 2018. The Company had received subscriptions totaling \$492,394 as of May 31, 2017, net of issue costs.