Arak Resources Ltd.

Condensed Interim Financial Statements

Nine Months Ended January 31, 2017

These condensed interim financial statements have not been reviewed by the Company's auditors

(Unaudited - Expressed in Canadian Dollars)

Arak Resources Ltd.
Condensed Interim Statements of Financial Position
(Unaudited – Expressed in Canadian dollars)
As at

		January 31, 2017		April 30, 2016
Assets				
Current				
Cash	$	**3,155**	$	749
Taxes receivable		**1,941**		3,709
Accounts Receivable		**-**		-
		5,096		4,458
Exploration and evaluation assets (Note 6)		**5,938**		4,500
	$	**11,034**	$	8,958
Liabilities				
Current				
Accounts payable (Note 9)	$	**416,860**	$	405,330
Accrued liabilities		-		10,500
Loans (Note 7)		**72,628**		9,500
		489,488		425,330
Shareholders' Equity				
Share capital (Note 8)		**1,787,113**		1,787,113
Reserves (Note 8)		**721,790**		721,790
Deficit		**(2,987,357)**		(2,925,275)
		(478,454)		(416,372)
	$	**11,034**	$	8,958

Nature and continuance of operations (Note 1)
Subsequent event (Note 12)

Approval on behalf of the Board of Directors:

"Carl von Einsiedel"	***"Kathryn Witter"***
President and Chief Executive Officer – Carl von Einsiedel	Chief Financial Officer – Kathryn Witter

The accompanying notes are an integral part of these condensed interim financial statements

Arak Resources Ltd.

Condensed Interim Statements of Loss and Comprehensive Loss
(Unaudited – Expressed in Canadian dollars)

	For the three months ended January 31,		For the nine months ended January 31,	
	2017	2016	**2017**	2016
Expenses				
Bank charges	**374**	257	**738**	576
Consulting fees (Note 9)	**24,000**	14,000	**49,000**	44,000
Directors' fees (Note 9)	**-**	42,000	**-**	126,000
Office and general	**591**	1,584	**2,049**	4,266
Professional fees	**(10,500)**	(11,739)	**725**	10,081
Transfer agent & regulatory fees	**4,151**	5,974	**9,570**	9,810
Stock-based compensation	**-**	-	**-**	-
	18,617	52,076	**62,082**	194,733
Other income				
Deferred income tax benefit	-	-	-	-
Net loss and comprehensive loss for the period	**18,617**	52,0276	**62,082**	194,733
Basic and diluted loss per share	**$ 0.02**	$ 0.04	**$ 0.05**	$ 0.16
Weighted average number of common shares outstanding – basic and diluted[1]	**1,220,127**	1,220,127	**1,220,127**	1,220,127

(1) Shares adjusted to reflect 10:1 share consolidation, see Subsequent event Note 12.

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

Arak Resources Ltd.
Condensed Interim Statements of Changes in Equity
(Unaudited – Expressed in Canadian dollars)

	Number of Shares[1]		Share Capital		Share Subscriptions Received		Reserves		Deficit		Total
Opening Balance, April 30, 2015	1,220,127	$	1,787,113	$	-	$	721,790	$	(2,348,282)	$	160,621
Loss and comprehensive loss for the period	-		-		-		-		(194,732)		(194,732)
Balance, January 31, 2016	**1,220,127**	$	**1,787,113**	**$**	-	$	**721,790**	$	**(2,543,014)**	**$**	**(34,111)**
Loss and comprehensive loss for the period									(382,261)		(382,261)
Balance, April 30, 2016	**1,220,127**	$	**1,787,113**	**$**	-	$	**721,790**	$	**(2,925,275)**	**$**	**(416,372)**
Loss and comprehensive loss for the period									(62,082)		(62,082)
Balance, January 31, 2017	**1,220,127**	$	**1,787,113**	**$**	-	$	**721,790**	$	**(2,987,357)**	**$**	**(478,454)**

[1] Adjusted to reflect 10:1 share consolidation subsequent to period end. See Note 12 Subsequent Events

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

Arak Resources Ltd.
Condensed Interim Statements of Cash Flows
For the Nine Months Ended January 31,
(Unaudited – Expressed in Canadian dollars)

		2017		2016
Cash flows provided by (used in)				
Operating activities				
Loss for the period	$	**(62,082)**	$	(194,733)
Deferred income tax benefit (expense)		**-**		-
Stock-based compensation		**-**		-
Changes in non-cash working capital items:				
Taxes receivable		**1,768**		-
Other receivable		**-**		-
Accounts payable and accrued liabilities		**64,158**		142,156
		3,844		(50,551)
Investing activities				
Evaluation and exploration expenditures		**(1,438)**		(4,500)
		(1,438)		(4,500)
Financing activities				
Shares issued for cash		**-**		-
Share issuance costs		**-**		-
		-		-
Increase (decrease) in cash during the period		**2,406**		(55,051)
Cash, beginning of period		**749**		56,834
Cash, end of period	**$**	**3,155**	$	1,783

Supplemental cash flow disclosure:		
Cash paid for:		
Interest paid	$ -	$-
Taxes paid	$ -	$-

Supplemental disclosure with respect to cash flows (Note 10)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Arak Resources Ltd., formerly Actus Minerals Corp. (the "Company" or "Arak") is a publicly listed company incorporated in British Columbia on May 9, 2006 and its shares are listed on the TSX Venture Exchange ("TSX-V"). The Company is a resource exploration company in the exploration stage, engaged in the acquisition, exploration and development of resource properties.

The head office and principal address of the Company are located at 2900 – 595 Burrard Street, PO Box 49130, Vancouver, BC, Canada, V7X 1J5.The registered and records office of the Company are located at the same address.

These condensed interim financial statements have been prepared by management on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue in operation for the foreseeable future. The Company has incurred losses to date, anticipates incurring ongoing losses and has no source of recurring revenue. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due. Management is actively engaged in the review and due diligence on opportunities of merit and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful. These conditions indicate the existence of a material uncertainty that may cast substantial doubt about the Company's ability to continue as a going concern.

The condensed interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Such adjustments could be material.

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the international Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The policies applied in these condensed interim financial statements are consistent with policies disclosed in Note 3 of the financial statements for the year ended April 30, 2016. These condensed interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended April 30, 2016.

Basis of Presentation

These condensed interim financial statements have been prepared on a historical costs basis except for financial instruments classified as financial instruments at fair value through profit or loss, which are measured at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting.

These condensed interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and condensed interim statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. BASIS OF PRESENTATION - continued

Approval of the condensed interim financial statements

The condensed interim financial statements of Arak Resources Ltd., *formerly* Actus Minerals Corp. ("Arak" or the "Company") for the nine months ended January 31, 2017, were authorized for issue in accordance with a resolution of the directors on March 31, 2017.

Use of estimates and judgement

The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed interim financial statements and 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 can differ from these estimates.

In particular, information about significant areas of estimation uncertainty and judgement considered by management in preparing the condensed interim financial statements includes:

Estimates

- The inputs used in assessing the recoverability of deferred income tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income;
- Management's assumption that there are currently no decommissioning liabilities is based on the facts and circumstances that have existed during the periods; and
- The inputs used in accounting for share-based payments in the statement of loss and comprehensive loss.

Judgement

- The recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. The carrying value of these assets is reviewed by management when events or circumstances indicate that its carrying value may not be recovered. If impairment is determined to exist, an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES

Foreign Currency Translation

The Company's presentation currency and the functional currency of all of its operations is the Canadian dollar as this is the principal currency of the economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the Company's functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined and are not retranslated.

All gains and losses on translation of these foreign currency transactions are included in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES continued

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand; deposits in banks and highly liquid investments with an original maturity of three months or less. There were no cash equivalents as at January 31, 2017 and 2016.

Short-term investments

Short-term investments are investments which are transitional or current in nature, with an original maturity greater than three months.

Exploration and Evaluation costs

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Mineral Properties

Exploration and evaluation costs incurred prior to obtaining licenses are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation costs incurred are capitalized. All capitalized exploration and evaluation costs are recorded at acquisition cost and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to the statement of comprehensive loss to the extent that they are not expected to be recovered.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to “Mines under construction”. No amortization is charged during the exploration and evaluation phase.

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

3. SIGNIFICANT ACCOUNTING POLICIES continued

Oil and Gas Properties

Costs incurred prior to obtaining the legal rights to explore a property are recognized as an expense in the period in which they are incurred. Acquisition of undeveloped oil and gas leases are initially capitalized as intangible exploration and evaluation assets and are expensed in the statement of loss upon the expiration of the lease, impairment of the lease or management's determination that no further exploration or evaluation activities are planned on the leased property, whichever comes first. Properties that are subsequently found to have proved reserves are transferred to property, plant and equipment.

The costs directly associated with an exploration well are capitalized as intangible exploration and evaluation assets until the drilling of the well is complete and the results have been evaluated. These costs include directly attributable employee remuneration, materials and fuels used, rig costs and other payments made to contractors.

Assets are classified as exploration and evaluation or property, plant and equipment according to the nature of the expenditures and whether or not technical feasibility and commercial viability of extracting oil and gas assets is demonstrable. Costs are retained in exploration and evaluation assets prior to the establishment of technical feasibility and commercial viability of the project. Such amounts are not subject to depletion or depreciation until they are reclassified to property, plant and equipment once proved reserves have been assigned to the asset. If proved reserves have not been established through the completion of exploration and evaluation activities and there are no future plans for activity in that field, then the exploration and evaluation expenditures are determined to be impaired and the amounts are expensed.

Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for tax purposes by the investors who purchased the shares. The Company adopted a policy whereby the premium paid for flow-through shares in excess of the market value of the shares without the flow through features at the time of issue is credited to other liabilities and included in income at the time the qualifying expenditures are made.

A deferred tax liability is recognized in respect of the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the condensed interim statement of financial position and its tax basis. A portion of the deferred income tax assets that were not previously recognized are recognized as a recovery of deferred income taxes in the statements of comprehensive loss up to the amount of the deferred tax liability upon renunciation.

Financial instruments

i. Financial assets

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

- Financial assets at fair value through profit or loss ("FVTPL")
  Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through income. Cash and cash equivalents are included in this category of financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES continued

- HTM investments
  HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs.

- Loans and receivables
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost, less any impairment. Loans and receivables comprise trade and other receivables.

- Available-for-sale financial assets
  Available-for-sale (AFS) financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. AFS assets include investments in equities of other entities.

  Management assesses the carrying value of AFS financial assets at least annually and any impairment charges are also recognized in profit or loss. When financial assets classified as available-for-sale are sold, the accumulated fair value adjustments recognized in other comprehensive income are included in profit and loss.

- Effective interest method
  The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

- Impairment of financial assets
  Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

  Objective evidence of impairment could include the following:
  - Significant financial difficulty of the issuer or counterparty;
  - Default or delinquency in interest or principal payments; or
  - It has become probable that the borrower will enter bankruptcy or financial reorganization.

  For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the financial asset’s original effective interest rate.

  The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES continued

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized; the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

ii. Financial liabilities

The Company classifies its financial liabilities in the following categories: Borrowings and other financial liabilities and derivative financial liabilities.

- Borrowings and other financial liabilities
  Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the income statement over the period to maturity using the effective interest method.

  Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include trade accounts payable, other payables, deferred credits, and loans.

***Financial instruments** - continued*

- Derivative Financial liabilities
  Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit and loss. Derivative financial liabilities include warrants issued by the Company denominated in a currency other than the Company's functional currency.

Share-based payment transactions

The Company grants stock options to buy common shares of the Company to directors, officers and employees. The board of directors grants such options for periods of up to five years, which vest immediately and are priced at the previous day's closing price.

All share-based payments made to employees and non-employees are measured and recognized using the Black-Scholes option pricing model. For employees, the fair value of the options is measured at grant date. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete, the date the performance commitment is reached, or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Stock options that vest over time are recognized using the graded vesting method. Share based compensation is recognized as an expense or, if applicable, capitalized to exploration and evaluation assets with a corresponding increase in reserves. At each financial reporting period, the amount recognized as expense is adjusted to reflect the number of share options expected to vest. If and when the stock options are ultimately exercised, the applicable amounts of reserves are transferred to share capital.

Where the terms of a stock option is modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the stock-based compensation arrangement, or is otherwise beneficial to the employee as measured at the date of modification over the remaining vesting period.

3. SIGNIFICANT ACCOUNTING POLICIES continued

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 a business combination or items recognized directly in equity or in other comprehensive income or loss.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet 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 nor taxable profit, nor differences relating to investments in subsidiaries, and associates 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 financial position reporting date applicable to the period of expected realization or settlement.

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.

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.

Share Capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the common shares are issued.

Warrants

Proceeds from issuances by the Company of units consisting of shares and warrants are allocated based on the residual method, whereby the carrying amount of the warrants is determined based on any difference between gross proceeds and the estimated fair market value of the shares. If the proceeds from the offering are less than or equal to the estimated fair market value of shares issued, a nil carrying amount is assigned to the warrants.

Earnings (loss) per share

The Company presents basic and diluted earnings/loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of non-current assets

Non-current assets are evaluated at least annually by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is evaluated at the level of a cash generating unit (CGU), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets, where the recoverable amount of a CGU is the greater of the CGU's fair value less costs to sell and its value in use. An impairment loss is recognized in income to the extent that the carrying amount exceeds the recoverable amount.

In calculating recoverable amount the Company uses discounted cash flow techniques to determine fair value when it is not possible to determine fair value either by quotes from an active market or a binding sales agreement. The determination of discounted cash flows is dependent on a number of factors, including future metal prices, the amount of reserves, the cost of bringing the project into production, production schedules, production costs, sustaining capital expenditures, and site closure, restoration and environmental rehabilitation costs. Additionally, the reviews take into account factors such as political, social and legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects. Discounted cash flow techniques often require management to make estimates and assumptions concerning reserves and expected future production revenues and expenses.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Decommissioning Liabilities

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. A pre-tax discount rate that reflects the time value of money and the risks specific to the liability are used to calculate the net present value of the expected future cash flows. These costs are charged to the statement of loss over the economic life of the related asset, through depreciation expense using either the unit-of-production or the straight-line method as appropriate. The related liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognized in the statement of loss. The liability is assessed at each reporting date for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

3. SIGNIFICANT ACCOUNTING POLICIES continued

Investment Tax Credits

The Company is entitled to refundable Canadian provincial government investment tax credits on qualified mining exploration expenditures in the province of British Columbia. Investment tax credits are accrued when the Company has made the qualifying expenditures and when there is reasonable assurance that the credits will be realized. The assistance is accounted for using the accrual basis cost reduction approach whereby the amounts determined to be received or receivable each year are reasonably estimated and are applied to reduce the cost of the related assets, deferred expenditures or expenses.

Adoption of New Accounting Pronouncements and Recent Developments

The following new standards were adopted during the year ended April 30, 2016:

i) IFRS 7 – Financial Instruments: Disclosure applies to additional disclosures required on transition from IAS 39 to IFRS 9. IFRS 7 was adopted effective January 1, 2015 and had no significant impact on the Company's financial statements.

ii) IAS 24 Related Party Disclosures – annual improvements to IFRSs 2010-2012 cycle

Amended to clarify that an entity providing key management services to the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This standard is effective for annual periods beginning on or after July 1, 2014. Adoption of this standard resulted in additional related party disclosure.

Certain other pronouncements were adopted by the Company on May 1, 2015, none of which had a significant impact on the Company's consolidated financial statements.

Accounting policies not yet adopted

The following new standards, and amendments to standards and interpretations, are not yet effective for the current period and have not been applied in preparing these financial statements. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below

i) IFRS 9: New standard that replaced IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018.

ii) IAS 27: Amended to restore option to use equity method to account for investments in subsidiaries, joint ventures and associates for annual period beginning on or after May 1, 2016.

iii) Partial replacement of IAS 39 Financial Instruments: Recognition and Measurement. This standard is effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of this standard.

4. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. 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 properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for

4. CAPITAL MANAGEMENT continued

administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

5. FINANCIAL INSTRUMENTS

Fair value of financial instruments

Fair value is the price 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. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value, by reference to the reliability of the inputs used to estimate the fair values.

Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices such as quoted interest or currency exchange rates; and

Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

As of January 31, 2017, the Company's financial instruments consist of cash, accounts payable and accrued liabilities. Cash is stated at fair value and classified within Level 1. The fair values of accounts payable and accrued liabilities approximate carrying values because of the short term nature of these instruments.

Financial risks

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is primarily attributable to receivables. The Company has no significant concentration of credit risk arising from operations. The receivables include goods and services tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to its receivables is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company believes it has adequate cash flows and cash on hand to discharge its financial obligations.

Market risk

(a) Interest rate risk

The Company is exposed to interest rate risk on its cash balances. Interest rate risk is considered minimal.

(b) Foreign currency risk

5. FINANCIAL INSTRUMENTS continued

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars therefore, foreign currency risk is minimal.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

6. EXPLORATION AND EVALUATION ASSETS

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing. Title of the properties is maintained by an agent on behalf of the Company.

Kayla Property

In May 2006, the Company entered into an option agreement with a former director of the Company to acquire a 100% legal and beneficial interest in six mining claims known as the Kayla Property located in Levy Township, Abitibi Region, Quebec. The claims are registered with the Québec Ministry of Parks, Fauna and Natural Resources. As at April 30, 2010, three amendments had been made to the initial option agreement to extend the date on which the Company must complete certain work expenditures on the Kayla Property or aggregate of 300, make payments to the optionee, which are dated May 30, 2007, May 30, 2008 and May 30, 2009.

Pursuant to the terms of the latest amended option agreement, the Company had to make cash payments totalling $35,000, the last of which was made in October 2007; the Company was also required to issue 300,000 common shares, which were all issued by December 2009.

The Company was also required to perform a minimum of $400,000 in work on or for the benefit of the Kayla Property during the term of the Agreement as follows:

(a) By December 31, 2010: $150,000 ($133,967 completed at April 30, 2011) and
(b) By December 31, 2011: $250,000 ($137,467 completed at December 31, 2011 and April 30, 2012).

By agreement between both parties, the balance of approximately $16,033 would have been applied to the 2011 commitment. However, the Company obtained a release agreement dated June 10, 2011 from the optionee of the Kayla Property whereby the Company was released from any further work commitments on the Kayla Property and has received 100% title and interest to the Kayla Property.

The Company determined the property was impaired at the 2016 fiscal year end and allowed the claims to lapse, as a result, the remaining balance of $327,571that had been previously capitalized were written off. Due to increased investor interest in the resource sector the Company re-secured its Kayla claims.

Perron Claims – Athabasca

On May 13, 2015 the Company acquired a 100% interest in two mineral tenures at Perron Lake in the northeastern Athabasca Basin region of northern Canada. The new tenures comprise 2,573 hectares in the south central part of the Perron Lake Area. See Subsequent Events Note 12.

(Unaudited – Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS - continued

The following schedule shows the property expenditures for the periods ended January 31, 2017 and 2016:

	Kayla Property	Perron Claims
Balance, April 30, 2015 and January 31, 2016	**$ 327,571**	$ 4,500
Acquisition costs		
Cash	-	
Staking	-	
Shares	-	
Exploration costs		
Assay costs	-	
Field supplies and rentals	-	
Geological personnel	-	
Reports and mapping	-	
Travel and accommodations	-	
Total costs for the year	-	
Impairment of mineral property	(327,571)	
Balance, April 30, 2016	**$ Nil**	**$ 4,500**
Staking	1,500	-
Balance, January 31, 2017	**$ 1,500**	**$ 4,500**

7. LOANS

The Company owes $72,628 (2016: $9,500), by way of unsecured Promissory Notes due on demand, to unrelated parties. The notes do not bear interest.

8. SHARE CAPITAL

a) Authorized: Unlimited common shares with no par value.

b) Issued:

<u>During the nine months ended January 31, 2017</u>

No shares were issued during the period. The common shares of the Company were consolidated on a 10 old for 1 new basis effective November 29, 2016. These financial statements have been adjusted to reflect this consolidation. Subsequent to the period the Company issued 4,943,000 units pursuant to completion of a private placement of its shares, see Subsequent Events Note 12.

<u>During the year ended April 30, 2016</u>

No shares were issued during the period.

(Unaudited – Expressed in Canadian dollars)

8. SHARE CAPITAL- continued

c) Shares held in escrow:

There were nil common shares held in escrow as of January 31, 2017 and 2016.

d) Warrants:

Warrant transactions and the number of warrants outstanding (adjusted to reflect the share consolidation) are summarized as follows:

	January 31, 2017[1]		**April 30, 2016[1]**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of period	633,000	$ 1.00	633,000	$ 0.67
Issued	-	0.00	-	-
Expired	-	0.00	-	-
Balance, end of period	633,000	$ 1.00	633,000	$ 1.00

(1) Adjusted to reflect 10:1 share consolidation.

The following warrants were outstanding and exercisable as at April 30, 2016 and January 31, 2017:

	Exercise	Number of Warrants[1]	
Expiry Date	Price	**January 31, 2017**	**April 30, 2016**
July 31, 2017	$0.50/1.00	633,000	633,000
		-	-
Weighted average outstanding life of warrants		.50 years	1.75years

(1) Adjusted to reflect 10:1 share consolidation.

e) Stock Options:

The Company has a stock option plan in place under which it is authorized to grant options of up to 10% of its outstanding shares to officers, directors, employees and consultants. The exercise price of each option is to be determined by the Board of Directors but shall not be less than the discounted market price as defined by the TSX Venture Exchange. The expiry date for each option should be for a maximum term of five years. Options granted to consultants not engaged in investor relations activities are granted for past services and vest immediately. Options granted to investor relations consultants vest in stages over twelve months with no more than one-quarter of the options vesting in any three month period.

(Unaudited – Expressed in Canadian dollars)

8. SHARE CAPITAL- continued

e) Stock Options – cont'd:

The following is a summary of transactions for the 9 months ended January 31, 2017 and year ended April 30, 2016:

	January 31, 2017[(1)]			April 30, 2016[(1)]		
	Number of Options		Weighted Average Exercise Price	Number of Options[(1)]		Weighted Average Exercise Price
Balance, beginning of year	110,000	$	1.90	120,800	$	1.90
Granted	-		0.00	-		-
Cancelled/Expired	(44,000)		0.00	(10,800)		5.50
Balance, end of period	66,000	$	1.50	110,000	$	1.90

(1) Options adjusted to reflect 10:1 share consolidation.

The incentive options are exercisable for five years ending October 21, 2019, a fair value of $118,600 has been recorded.

The following stock options were outstanding and exercisable as at January 31, 2017 and April 30, 2016:

		Number of Options[(1)]	
Expiry Date	Exercise Price	January 31, 2017	April 30, 2016
October 21, 2019	$ 1.50	66,000	110,000
		66,000	110,000
Weighted average outstanding life of options		2.72 years	3.47 years

f) Agent's Warrants

During the nine months ended January 31, 2017, Nil (2016 - Nil) agent's warrants were issued.

The following agent's warrants were outstanding and exercisable as at January 31, 2017 and 2016:

	2017[(1)]			2016[(1)]	
	Number of Warrants		Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	38,044	$	0.67	38,044	$0.67
Expired	-		-	-	-
Issued	-		-	-	$0.67
Balance, end of period	38,044	$	0.67	38,044	$0.67

(Unaudited – Expressed in Canadian dollars)

(1) Adjusted to reflect 10:1 share consolidation. See Subsequent Events Note 12.

9. RELATED PARTY TRANSACTIONS

The Company incurred the following fees and expenses in the normal course of operations and are measured at the exchange amount.

Key management compensation	**January 31, 2017**	January 31, 2016
Consulting fees (1)	**$ 24,000**	$ 44,000
Directors fees (2)	**-**	126,000
Loans(3)(4)	**-**	9,500
Total	**$ 24,000**	$ 179,500
Related party balances		
Accrued liabilities and accounts payable(3)(4)	**$ 394,270**	$ 361,870

Note:
(1) Paid to Marketworks, Inc. a company controlled by an officer of the Company:
(2) Paid to directors of the Company as follows: Carl Von Einsiedel $Nil (2016: $31,500), James Henderson $Nil (2016: $31,500), Michael Shmazian $Nil (2016: $31,500) and Ariel Partners a company controlled by Benjamin Hill a director of the Company $Nil (2016: $31,500).
(3) The amounts payable to a related party include: Carl von Einsiedel $94,500 (2016: $87,500), James Henderson $Nil (2016: $87,500), Michael Shamazian $Nil (2016 – $87,500); Ariel Partners $Nil (2016: $68,070); and Marketworks, Inc. $27,900 (2016: $21,300)
(4) Subsequent to the year end April 30, 2016 Messrs, Henderson, Hill and Shmazian assigned their outstanding debt to an independent third party. These amounts were: James Henderson $94,500; Michael Shmazian $104,500; and Ariel Partners $71,570. These amounts are included in the total for comparative purposes only.

10. SUPPLEMENTAL CASH FLOW INFORMATION

The following significant non-cash transactions have been excluded from the statements of cash flows:

During the nine months ended January 31, 2017 and 2016

There were no significant non-cash transactions during the nine months ended January 31, 2017 nor significant non-cash transaction during the comparative nine month period ended January 31, 2016.

11. SEGEMENTED INFORMATION

The Company operates in one segment – the acquisition, exploration and development of mineral properties. As at January 31, 2017 and April 30, 2016, all of the Company's operations and assets were in Canada.

12. SUBSEQUENT EVENTS

The Company allowed its Perron Claims in Saskatchewan to lapse February, 2017.

The Company completed a private placement of 4,643,000 units at $0.14 per unit for gross proceeds of $650,020. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one additional common share at a price of $0.18 until March 21, 2022.

In connection with the closing of the private placement, the Company issued 300,000 finders units at a deemed value of $0.14 per unit. Each finders unit consisting of one common share and one share purchase warrant. Each warrant exercisable to purchase one additional common share at $0.18 per share until March 21, 2018.

A total of 4,898,000 warrants have been exercised at a price of $0.18, generating $881,640 additional funds to the Company's working capital.

The Company announced via news release (March 31, 2017) that it will change its name to Cobalt 27 Capital Corp. and intends to undertake the forward split of its current issued and outstanding common shares on the basis of three new post-split shares for every one outstanding share.

The Company announced the granting of an aggregate of 1,079,612 incentive stock options to directors, officers and consultants of the Company. Each option exercisable at a price of $0.65 and expiring 5 years from date of grant. Certain of the options granted to non-Canadian resident are at a price that included the permitted discount.