

**CRYSTAL LAKE MINING CORPORATION  
(FORMERLY SIERRA IRON ORE CORPORATION)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**Expressed in Canadian Dollars**

**FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

**Head Office Address**

13236 Cliffstone Court, Lake Country,  
British Columbia, Canada V4V 2R1

**Registered and Records Office Address**

1400 – 1125 Howe Street  
Vancouver British Columbia V6Z 2K8

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Crystal Lake Mining Corp.

We have audited the accompanying consolidated financial statements of Crystal Lake Mining Corp., which comprise the consolidated statements of financial position as at September 30, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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



***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Crystal Lake Mining Corp. as at September 30, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

***Emphasis of Matter***

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Crystal Lake Mining Corp.'s ability to continue as a going concern.

Vancouver, Canada

January 27, 2017

**“DAVIDSON & COMPANY LLP”**

Chartered Professional Accountants

**CRYSTAL LAKE MINING CORPORATION**  
**(FORMERLY SIERRA IRON ORE CORPORATION)**  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
Expressed in Canadian Dollars  
AS AT SEPTEMBER 30,

	2016	2015
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 101,983	\$ 155,430
Receivables	21,547	21,197
	<u>123,530</u>	<u>176,627</u>
<b>Deposit</b>	-	25,000
<b>Exploration and evaluation assets</b> (Note 3)	2,403,021	1,370,400
<b>Land, building and equipment</b> (Note 4)	260,316	266,372
	<u>\$ 2,786,867</u>	<u>\$ 1,838,399</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 124,136	\$ 247,690
Due to related parties (Note 7)	394,971	474,210
Loans payable (Note 5)	785,132	397,029
	<u>1,304,239</u>	<u>1,118,929</u>
<b>Long term loans payable</b> (Note 5)	-	252,832
	<u>1,304,239</u>	<u>1,371,761</u>
<b>Shareholders' equity</b>		
Capital stock (Note 6)	12,945,312	11,256,470
Subscription received in advance (Note 6)	140,250	22,200
Commitment to issue shares	-	80,000
Share-based payment reserve (Note 6)	1,260,880	1,085,284
Equity component of convertible loans (Note 5)	7,836	7,836
Deficit	(12,871,650)	(11,985,152)
	<u>1,482,628</u>	<u>466,638</u>
	<u>\$ 2,786,867</u>	<u>\$ 1,838,399</u>

**Nature and continuance of operations** (Note 1)  
**Subsequent events** (Note 14)

**On behalf of the Board:**

*“Wally Boguski”*

Director

*“Alphonse Ruggiero”*

Director

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

**CRYSTAL LAKE MINING CORPORATION**  
**(FORMERLY SIERRA IRON ORE CORPORATION)**  
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS  
Expressed in Canadian Dollars  
FOR THE YEARS ENDED SEPTEMBER 30,

	2016	2015
<b>EXPENSES</b>		
Amortization (Note 4)	\$ 6,056	\$ 23,211
Consulting fees	111,518	111,048
Directors fees (Note 7)	25,093	33,810
Gain on settlement of accounts payable (Note 6)	(128,971)	(29,281)
General, rent and administrative (Note 7)	64,907	85,365
Management fees (Note 7)	123,457	119,461
Office and miscellaneous	228,959	189,970
Professional fees (Note 7)	221,956	165,433
Property investigation	-	2,209
Regulatory fees	911	32,336
Salary	1,455	17,130
Share-based compensation (Note 6)	135,596	412,724
Transfer agent fees	9,981	15,407
Travel and promotion	85,580	81,009
Write-off of equipment (Note 4)	-	194,793
Write-off of exploration and evaluation assets (Note 3)	-	39,168
<b>Loss and comprehensive loss for the year</b>	<b>\$ (886,498)</b>	<b>\$ (1,493,793)</b>
<b>Basic and diluted loss per common share</b>	<b>\$ (0.02)</b>	<b>\$ (0.05)</b>
<b>Weighted average number of common shares outstanding</b>	<b>39,095,938</b>	<b>31,934,704</b>

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

**CRYSTAL LAKE MINING CORPORATION**  
**(FORMERLY SIERRA IRON ORE CORPORATION)**  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
Expressed in Canadian Dollars

	Number of shares	Capital stock	Subscriptions received in advance	Commitment to issue shares	Share-based payment reserve	Equity Component of Convertible Loans	Deficit	Total equity (deficiency)
<b>September 30, 2014</b>	<b>23,500,738</b>	<b>\$ 9,022,357</b>	<b>\$ 190,050</b>	<b>\$ -</b>	<b>\$ 712,718</b>	<b>\$ -</b>	<b>\$ (10,491,359)</b>	<b>\$ (566,234)</b>
Private placement	4,133,667	710,050	(190,050)	-	-	-	-	520,000
Share issuance costs	-	(14,348)	-	-	-	-	-	(14,348)
Exercise of warrants	1,175,000	470,000	-	-	-	-	-	470,000
Exercise of options	160,000	64,000	-	-	-	-	-	64,000
Fair value of exercise of options	-	40,158	-	-	(40,158)	-	-	-
Share-based compensation	-	-	-	-	412,724	-	-	412,724
Shares issued for mineral property	2,865,625	386,859	-	-	-	-	-	386,859
Shares issued for debt settlement	3,849,291	577,394	-	-	-	-	-	577,394
Shares subscriptions received in advance	-	-	22,200	-	-	-	-	22,200
Shares to be issued for debt settlement	-	-	-	80,000	-	-	-	80,000
Equity portion of convertible loans	-	-	-	-	-	7,836	-	7,836
Loss for the year	-	-	-	-	-	-	(1,493,793)	(1,493,793)
<b>September 30, 2015</b>	<b>35,684,321</b>	<b>11,256,470</b>	<b>22,200</b>	<b>80,000</b>	<b>1,085,284</b>	<b>7,836</b>	<b>(11,985,152)</b>	<b>466,638</b>
Private placements	1,193,000	397,550	(20,000)	-	40,000	-	-	417,550
Share issuance costs	-	(6,175)	-	-	-	-	-	(6,175)
Transfer to loan payable	-	-	(2,200)	-	-	-	-	(2,200)
Exercise of warrants	1,800,001	360,000	-	-	-	-	-	360,000
Shares issued for debt settlement	1,079,620	316,277	-	(80,000)	-	-	-	236,277
Share-based compensation	-	-	-	-	135,596	-	-	135,596
Shares issued for mineral property	2,000,000	575,000	-	-	-	-	-	575,000
Shares issued for finder's fees	115,475	46,190	-	-	-	-	-	46,190
Shares subscriptions received in advance	-	-	140,250	-	-	-	-	140,250
Loss for the year	-	-	-	-	-	-	(886,498)	(886,498)
<b>September 30, 2016</b>	<b>41,872,417</b>	<b>\$ 12,945,312</b>	<b>\$ 140,250</b>	<b>\$ -</b>	<b>\$ 1,260,880</b>	<b>\$ 7,836</b>	<b>\$ (12,871,650)</b>	<b>\$ 1,482,628</b>

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

**CRYSTAL LAKE MINING CORPORATION**  
**(FORMERLY SIERRA IRON ORE CORPORATION)**  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
Expressed in Canadian Dollars  
FOR THE YEARS ENDED SEPTEMBER 30,

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the year	\$ (886,498)	\$ (1,493,793)
Item not affecting cash:		
Amortization	6,056	23,211
Write-off of equipment	-	39,168
Interest on loans payable	71,141	25,430
Gain on settlement of accounts payable	(128,971)	(29,281)
Share-based compensation	135,596	412,724
Write-off of due from related party	-	194,793
Changes in non-cash working capital items:		
Decrease in due to related parties	(79,239)	(115,671)
Increase in due from related parties	-	(5,554)
Increase (decrease) in receivables	(350)	(6,072)
Increase in accounts payable and accrued liabilities	241,694	247,011
Net cash used in operating activities	<u>(640,571)</u>	<u>(708,034)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from the issuance of capital stock	417,550	520,000
Proceeds from the exercise of warrants	360,000	470,000
Proceeds from the exercise of options	-	64,000
Share subscriptions received in advance	140,250	22,200
Repayment on mortgage liability	(27,150)	-
Loan payable	94,080	250,000
Loan repayment	(5,000)	(34,236)
Share issuance costs	(6,175)	(14,348)
Due from related party	-	12,000
Net cash provided by financing activities	<u>973,555</u>	<u>1,289,616</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of exploration and evaluation assets	(7,150)	(350,000)
Sale of equipment	-	28,379
Exploration and evaluation assets	(379,281)	(103,801)
Exploration deposit	-	(25,000)
Mining tax credit	-	11,729
Net cash used in investing activities	<u>(386,431)</u>	<u>(438,693)</u>
<b>Change in cash for the year</b>	(53,447)	142,889
<b>Cash, beginning of year</b>	155,430	12,541
<b>Cash, end of year</b>	<u>\$ 101,983</u>	<u>\$ 155,430</u>
<b>Cash paid during the year for interest</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash paid during the year for income taxes</b>	<u>\$ -</u>	<u>\$ -</u>

Supplemental disclosure with respect to cash flows (Note 10)

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

**CRYSTAL LAKE MINING CORPORATION**  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
Expressed in Canadian Dollars  
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

The Company was incorporated under the Business Corporations Act (British Columbia) on July 20, 2009 and is publicly listed and traded on the TSX Venture Exchange (“TSX-V”). The Company is currently engaged in the identification, acquisition and exploration of precious metal resources in Canada. The Company’s head office is 13236 Cliffstone Court, Lake Country, British Columbia, V4V 2R1, Canada. The Company’s registered and records office is located at #1400 – 1225 Howe Street, Vancouver, British Columbia, V6Z 2K8, Canada.

These consolidated financial statements have been prepared in accordance with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The operations of the Company were primarily funded by the issuance of capital stock and proceeds from loans payable. Certain of the Company’s loans payable matured during the year without repayment (Note 5).

The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financings or generate profitable operations in the future. These material uncertainties may cast significant doubt on the entity’s ability to continue as a going concern. The consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue business.

On July 14, 2016 the Company changed its name to Crystal Lake Mining Corporation (formerly Sierra Iron Ore Corporation) and the new symbol is ‘CLM’.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

These consolidated financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The policies applied in the consolidated financial statements are presented below and are based on IFRS’ issued and outstanding as of January 27, 2017, the date the Board of Directors approved the consolidated financial statements. None of these standards are expected to have a significant effect on the consolidated financial statements.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Principles of consolidation**

These consolidated financial statements include the accounts of the Company, its wholly-owned Mexican subsidiary Minera Sierra Gioc SA and its wholly owned United States subsidiary Sierra Iron Ore USA. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant inter-company transactions and balances have been eliminated upon consolidation.



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

**Estimates, judgments and assumptions**

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Estimates and assumptions are continually 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. Actual results could differ from these estimates.

The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

Significant Judgments

Deferred taxes

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred income and resource tax assets.

Functional currency

The determination of a subsidiary's functional currency often requires significant judgment where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation method.

Significant Estimates

Share-based compensation

Share-based compensation is determined using the Black-Scholes option pricing model based on the estimated fair value of all share-based awards at the date of grant and is expensed to the statement of loss and comprehensive loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Non-cash transactions

The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

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Expressed in Canadian Dollars  
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**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

**Foreign exchange**

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the period.

**Exploration and evaluation assets**

Upon acquiring the legal right to explore a property, costs related to acquisition and exploration are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition and exploration costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to their net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

**Impairment**

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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 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 profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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 to an amount that 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 profit or loss.

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

**Decommissioning and restoration provision**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

As at September 30, 2016 and 2015, the Company has no decommissioning or restoration obligations.

**Land, building and equipment**

Land, building and equipment is recorded at cost and amortized using the declining balance method at the following rates per annum.

Computer equipment	55% to 100% per annum
Furniture and equipment	20% per annum
Machinery and equipment	30% per annum
Vehicles	30% per annum
Building	4% per annum

Land, building and equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off. The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to an item of land, building and equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

**Flow-through shares**

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby the premium paid for the flow-through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to other liabilities and included in profit or loss at the same time the qualifying expenditures are made.

**Share-based compensation**

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

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

**Share-based compensation (cont'd...)**

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock. The effect of forfeitures is accounted for as they occur.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based compensation is measured at the fair value of goods or services received.

**Financial instruments**

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 assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized through profit or loss.

*Loans and receivables* - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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.

*Held-to-maturity investments* - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of loss and comprehensive loss.

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through profit or loss.

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.

The Company has classified its cash at fair value through profit and loss. The Company's receivables and due from a related party are classified as loans and receivables.

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

**Financial instruments (cont'd...)**

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. 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 it 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 amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company's accounts payable and accrued liabilities, loans payable, mortgage payable, and due to related parties are classified as other financial liabilities.

Financial instruments that are measured at fair value use inputs, which are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 - Inputs that are not based on observable market data.

**Income taxes**

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 in 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 recorded 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 loss; and 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.

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.

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

**Loss per share**

The Company presents basic loss per share 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. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed by assuming that outstanding options, warrants and similar instruments were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

**Future accounting pronouncements**

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

Accounting Standards Issued and Effective for Annual Reporting Periods Beginning On or After January 1, 2018:

IFRS 9 *Financial Instruments* replaces the current standard IAS 39 *Financial Instruments: Recognition and Measurement*, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

IFRS 7 is amended to require additional disclosures on transition from IAS 39 to IFRS 9. The Company has adopted this policy and it doesn't have a significant effect on the financial statements. The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

IFRS 15, *Revenue from Contracts with Customers*: IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*.

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**3. EXPLORATION AND EVALUATION ASSETS**

<b>Year Ended</b>	Tom Cat Claims, British Columbia, Canada	Iron Property, Ontario Canada	Farm Property Ontario Canada	L1 Property, Ontario Canada	Total
<b>September 30, 2016</b>					
<b>Acquisition Costs:</b>					
Balance, beginning of year	\$ 244,146	\$ 451,859	\$ 250,000	\$ 100,000	\$ 1,046,005
Cash payment	-	7,150	-	-	7,150
Shares issued	-	46,190	-	575,000	621,190
Balance, end of year	244,146	505,199	250,000	675,000	1,674,345
<b>Deferred Exploration Costs:</b>					
Balance, beginning of year	170,301	149,094	-	5,000	324,395
Assay	-	42,973	-	-	42,973
Consulting	20,000	-	385	-	20,385
Drilling	-	144,177	-	-	144,177
Field work and other	45,955	27,438	-	3,177	76,570
Geologist and testing	-	7,200	-	29,420	36,620
Project management fees	9,983	61,000	-	-	70,983
Supplies	-	12,573	-	-	12,573
Balance, end of year	246,239	444,455	385	37,597	728,676
<b>Total</b>	<b>\$ 490,385</b>	<b>\$ 949,654</b>	<b>\$ 250,385</b>	<b>\$ 712,597</b>	<b>\$ 2,403,021</b>
<b>Year Ended</b>	Tom Cat Claims, British Columbia, Canada	Iron Property, Ontario Canada	Farm Property Ontario Canada	L1 Property, Ontario Canada	Total
<b>September 30, 2015</b>					
<b>Acquisition Costs:</b>					
Balance, beginning of year	\$ 244,146	\$ 65,000	\$ -	\$ -	\$ 309,146
Cash payment	-	-	250,000	100,000	350,000
Shares issued	-	386,859	-	-	386,859
Balance, end of year	244,146	451,859	250,000	100,000	1,046,005
<b>Deferred Exploration Costs:</b>					
Balance, beginning of year	149,460	-	-	-	149,460
Assay	-	12,324	-	-	12,324
Consulting	6,150	39,976	-	5,000	51,126
Drilling	-	27,771	-	-	27,771
Field work and other	12,020	-	-	-	12,020
Project management fees	14,400	60,000	-	-	74,400
Supplies	-	9,023	-	-	9,023
BCMETS*	(11,729)	-	-	-	(11,729)
Balance, end of year	170,301	149,094	-	5,000	324,395
<b>Total</b>	<b>\$ 414,447</b>	<b>\$ 600,953</b>	<b>\$ 250,000</b>	<b>\$ 105,000</b>	<b>\$ 1,370,400</b>

\*British Columbia Mining Exploration Tax Credit ("BCMETS")

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

Tom Cat Claims, British Columbia

The Company owns a 100% interest in certain mining claims, known as the Tom Cat Claims, located in the Nicloa Mining District, British Columbia. The claims are subject to a 2% Net Smelter Royalty (“NSR”), of which 1% may be purchased for \$2,000,000 for five years from the start of commercial production.

Iron Property, Emo, Ontario

The Company entered into a series of agreements, the last of which was finalized during the year ended September 30, 2016, to acquire the right to earn a 60% interest in the iron mineralization on the Emerald Lake Property located north of the town of Emo, Ontario.

Pursuant to the agreements, the Company paid \$65,000 in fiscal 2014 and issued 2,865,625 common shares valued at \$386,859 in fiscal 2015. In order to complete the acquisition of the 60% interest, the Company is required to pay four additional installments of \$50,000 each commencing April 15, 2016 and continuing every six months to October 17, 2017, plus additional finder’s fees of 115,475 common shares, which were issued during the year ended September 30, 2016 and valued at \$46,190 and an additional 6,392,000 common shares on the earlier of a positive feasibility or the commencement of commercial production. The Company is also required to incur exploration expenditures of \$1,500,000 by October 15, 2017. The Company has the option to acquire an additional 32% interest in the iron ore mineralization present on the property at terms to be negotiated, plus the right of first refusal on future properties acquired by the vendor.

The Company is negotiating an amended agreement.

EL 5 Property, Emo, Ontario (formerly known as the Farm Property)

The Company entered into a series of agreements, the last of which was finalized during the year ended September 30, 2016, to acquire the right to earn a 50% interest in Iron Property located in Emo, Ontario.

Pursuant to the agreements, the Company paid \$250,000 in fiscal 2015. In order to complete the acquisition of the 50% interest, the Company is required to pay \$10,000 within five days of regulatory approval and an additional \$250,000 within 18 months of the March 18, 2016 regulatory approval. The Company is also required to incur exploration expenditures of \$2,000,000 by October 22, 2018. The Company has the option to acquire an additional 42% interest in the property at terms to be negotiated, plus the right of first refusal on future properties acquired by the vendor. The property is subject to a 3% NSR.

The Company is negotiating an amended agreement.

EL1 Property, Emo, Ontario (formerly known as the Allen Property)

The Company entered into a series of agreements, the last of which was finalized during the year ended September 30, 2016, to acquire the right to earn up to a 60% interest in the L1 Property located in Emo, Ontario.

Pursuant to the agreements, the Company paid \$100,000 in fiscal 2015. In order to complete the acquisition of an initial 15% interest, the Company is required to pay \$100,000 upon regulatory approval, \$500,000 within 8 months of regulatory approval, \$1,500,000 within 12 months of the March 14, 2016 regulatory approval and issue 3,500,000 common shares over a period of 12 months after regulatory approval. The Company is also required to incur exploration expenditures of \$1,500,000 within 24 months following regulatory approval.

During the year ended September 30, 2016, the Company issued 2,000,000 common shares valued at \$575,000. The Company is required to issue 1,500,000 shares within 12 months after regulatory approval.

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



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EL1 Property, Emo, Ontario (formerly known as the Allen Property)

During the year ended September 30, 2016, the agreement was amended to provide the Company with an option to and the right of first refusal to purchase an additional 45% undivided interest in the L1 Property upon completion of the obligations.

The Company is negotiating an amended agreement.

In September 2016, the Company engaged in acquiring significant land positions in the Emo, Ontario area. The Company is exploring a large area under the direction of its geological consulting staff who have developed an in-depth understanding of the area through years of rock and soil analysis in the area, extensive research and evolving geological modeling of the formations of interest.

As part of this initiative, the Company has negotiated a key agreement with Emerald Lake Development Corp. (“Emerald Lake”) and has acquired a right of first refusal (“ROFR”) to acquire 100% of eight additional claim blocks in the area; claims which essentially comprise the balance of Emerald Lake’s core property holdings in the area. Any properties purchased will remain subject to a 3% NSR which may be reduced to 2% by a \$1,000,000 payment.

The ROFR Agreement (dated September 27, 2016) requires the Company to pay Emerald Lake the sum of \$50,000 by April 30, 2017 in order to preserve the right to acquire any or all of the subject properties at any time up to September 30, 2017.

**4. LAND, BUILDING AND EQUIPMENT**

Equipment is carried at cost less accumulated amortization. Details are as follows:

	Mining Equipment	Furniture and Equipment	Computer	Building <sup>(1)</sup>	Land <sup>(1)</sup>	Total
<b>Cost</b>						
Balance, September 30, 2014	\$ 129,811	\$ 16,370	\$ 9,671	\$ 120,000	\$ 145,290	\$ 421,142
Disposals	(129,811)	(396)	-	-	-	(130,207)
Balance, September 30, 2015 and September 30, 2016	\$ -	\$ 15,974	\$ 9,671	\$ 120,000	\$ 145,290	\$ 290,935
<b>Accumulated depreciation</b>						
Balance, September 30, 2014	\$ 46,045	\$ 8,522	\$ 9,445	\$ -	\$ -	\$ 64,012
Additions	16,615	1,570	226	4,800	-	23,211
Disposals	(62,660)	-	-	-	-	(62,660)
Balance, September 30, 2015	-	10,092	9,671	4,800	-	24,563
Additions	-	1,256	-	4,800	-	6,065
Balance, September 30, 2016	\$ -	\$ 11,348	\$ 9,671	\$ 9,600	\$ -	\$ 30,628
<b>Carrying amounts</b>						
Balance, September 30, 2015	\$ -	\$ 5,882	\$ -	\$ 115,200	\$ 145,290	\$ 266,372
Balance, September 30, 2016	\$ -	\$ 4,626	\$ -	\$ 110,400	\$ 145,290	\$ 260,316

(1) Land and building are listed as collateral for the mortgage payable.

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**5. LOANS PAYABLE**

	2016	2015
i) During the year ended September 30, 2015, the Company entered into a \$250,000 debenture loan. The debenture will mature on March 28, 2017 and will accrue interest at a rate of 10% per annum payable annually and convertible into common shares of the Company at a price of \$0.32 per share, at any time prior to maturity.	\$ 282,355	\$ 252,832
<p>The loan has been classified into its separate loan liability and conversion feature equity components in the Company's financial statements using the fair value method and an effective interest rate of 12%. The liability was valued first, resulting in an initial amount of \$242,164 being allocated to the liability and \$7,836 being allocated to the conversion feature. Over the term of the loan this carrying value is to be accreted to the \$250,000 principal amount using the effective-interest-rate method, with an effective interest rate of 12%. For the year ended September 30, 2016, the corresponding interest and accretion of \$29,523 (2015 - \$10,668) was charged to operations.</p>		
ii) During the year ended September 30, 2014, the Company entered into two debenture loan agreements whereby the Company borrowed \$200,000. The loans bear simple interest at 12% per annum and were repayable by December 13, 2014. Pursuant to the agreements, the lenders had the right to convert all or any portion of the accrued interest into common shares of the Company prior to the end of the term. The loan is secured by certain assets of the Company.	145,238	133,238
<p>During the year ended September 30, 2016, the Company accrued \$12,000 (2015 - \$23,940) of interest. During the year ended September 30, 2015, the Company settled \$100,000 of the principal debt for shares. The remaining \$100,000 of principal and interest remained unpaid. Interest continues to accrue with no additional penalties.</p>		
iii) During the year ended September 30, 2014, the Company financed the acquisition of land and building with a mortgage payable of \$260,117. Mortgage was due on August 15, 2016. The mortgage is secured by land and a building in the district of Rainy River, Ontario. During the year ended September 30, 2016, the Company paid \$27,150 to reduce the mortgage payable and accrued \$29,618 in interest.	266,259	263,791
iv) During the year ended September 30, 2016, the Company received \$96,280 from the CEO of the Company, consisting of a series of non-interest bearing, unsecured advances with no fixed terms of repayment. The Company repaid \$5,000 of the amounts advanced during the year ended September 30, 2016.	91,280	-
Total loan payable	785,132	649,861
Current portion	(785,132)	(397,029)
	\$ -	\$ 252,832

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**6. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE**

During the year ended September 30, 2016, the Company,

- i) closed a debt settlement and issued 334,000 common shares (valued at \$133,600, resulting in a gain of \$13,400) to creditors to settle debts aggregating \$167,000 of which 110,000 common shares for debts aggregating \$55,000 were issued to related parties.
- ii) closed a non-brokered private placement and issued 400,000 units for net proceeds of \$160,000 of which \$20,000 was received during the year ended September 30, 2015. Each unit consists of one common share, issued at \$0.40 per share, and one-half common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of \$0.055 on or before December 22, 2017. The warrants were assigned a residual value of \$40,000 based on the date of issuance at \$0.30 per share. The Company paid share issuance costs of \$1,550.
- iii) issued 115,475 shares at a value of \$46,190 as the balance due for the finder's fee payable on the acquisition of the Iron Property (Note 3).
- iv) issued 1,800,001 common shares pursuant to exercise of warrants for gross proceeds of \$360,000.
- v) closed a debt settlement and issued 745,620 common shares (valued at \$182,677, resulting in a gain of \$115,571) to creditors to settle debts aggregating \$298,248 of which 400,000 common shares for debts aggregating \$160,000 were issued to related parties. The Company paid share issuance costs of \$2,464.
- vi) issued 2,000,000 shares at a value of \$575,000 pursuant to the acquisition of the Allen Property (Note 3).
- vii) closed a non-brokered private placement and issued 793,000 units for gross proceeds of \$277,550. Each unit consists of one common share issued at \$0.35 per share, and one-half common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of \$0.50 on or before May 3, 2018. The Company paid share issuance costs of \$2,161.

During the year ended September 30, 2015, the Company:

- i) issued 3,849,291 common shares to creditors to settle debts aggregating \$577,394 of which 1,959,074 common shares for debts aggregating \$293,862 were issued to related parties.
- ii) issued 1,767,000 units for gross proceeds of \$265,050. Each unit consists of one common share issued at \$0.15 per share, and one common share purchase warrant. Each common share purchase warrant may be exercised by the holder to purchase an additional common share at a price of \$0.20 for 24 months from closing. At September 30, 2014, the Company had received \$190,050 in subscriptions which was recorded as subscriptions received in advance.
- iii) issued 2,865,625 shares for exploration and evaluation assets (Note 3).
- iv) issued 1,066,667 units for gross proceeds of \$160,000. Each unit consists of one common share issued at \$0.15 per share, and one common share purchase warrant. Each common share purchase warrant may be exercised by the holder to purchase an additional common share at a price of \$0.20 for 24 months from closing. The Company paid \$1,775 of cash share issuance costs in relation to the private placement.
- v) issued 300,000 units for gross proceeds of \$45,000. Each unit consists of one common share issued at \$0.15 per share, and one common share purchase warrant. Each common share purchase warrant may be exercised by the holder to purchase an additional common share at a price of \$0.20 for 24 months from closing.

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**6. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE (cont'd...)**

During the year ended September 30, 2015, the Company (cont'd...):

- vi) issued 1,000,000 units for gross proceeds of \$240,000. Each unit consists of one common share issued at \$0.24 per share, and one common share purchase warrant. Each common share purchase warrant may be exercised by the holder to purchase an additional common share at a price of \$0.24 for 24 months from closing. The Company paid \$7,573 of cash share issuance costs in relation to the private placement.
- vii) issued 1,175,000 common shares pursuant to exercise of warrants for gross proceeds of \$470,000.
- viii) issued 160,000 common shares pursuant to exercise of options for gross proceeds of \$64,000. Accordingly, the Company transferred \$40,158 to capital stock from share-based payments reserve.

**Stock options**

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 stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less an applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

A summary of changes in options during the year is as follows:

	Number of options	Weighted average exercise price
Outstanding and exercisable September 30, 2014	1,992,657	\$ 0.45
Granted	1,720,000	0.75
Exercised	(160,000)	0.40
Cancelled/Expired	<u>(816,326)</u>	0.44
Outstanding and exercisable September 30, 2015	2,736,331	0.64
Granted	650,000	0.35
Cancelled/Expired	<u>(611,331)</u>	0.64
Outstanding and exercisable September 30, 2016	2,775,000	\$ 0.58

The following stock options were outstanding at September 30, 2016:

Expiry Date	Exercise Price	Number of Options	Number of Options Exercisable
July 21, 2017	\$ 0.75	1,475,000	1,475,000
April 3, 2018	\$ 0.35	650,000	650,000
May 7, 2018	\$ 0.40	400,000	400,000
September 7, 2018	\$ 0.40	132,500	132,500
September 17, 2018	\$ 0.43	117,500	117,500
		<u>2,775,000</u>	<u>2,775,000</u>

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**6. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE (cont'd...)**

**Stock options (cont'd...)**

*Share-based compensation*

During the year ended September 30, 2016, the Company granted 650,000 (2015 – 1,720,000) options to employees and consultants of the Company. The options are exercisable at a price of \$0.35 (2015 - \$0.75) per common share for a period of two years. The estimated fair market value of these options is \$135,596 (2015 - \$412,724) or \$0.21 (2015 - \$0.24) per option.

The weighted average fair value of each stock option granted during the year was \$0.21 (2015 - \$0.24), calculated using the Black-Scholes option-pricing model on the grant date using the following weighted average assumptions:

	<b>Year ended September 30, 2016</b>	<b>Year ended September 30, 2015</b>
Volatility	123.38%	120.07%
Risk-free interest rate	0.55%	0.42%
Dividend yield	0.00%	0.00%
Expected life	2 years	2 years
Expected forfeiture rate	0.00%	0.00%

**Warrants**

A summary of changes in warrants during the year is as follows:

	Number of warrants	Weighted average exercise price
Outstanding September 30, 2014	6,132,989	\$ 0.41
Granted	4,133,667	0.21
Exercised	(1,175,000)	0.40
Expired	<u>(3,033,821)</u>	0.40
Outstanding September 30, 2015	6,057,835	0.22
Granted	596,500	0.52
Exercised	(1,800,001)	0.20
Expired	<u>(324,167)</u>	0.48
Outstanding September 30, 2016	4,530,167	\$ 0.25

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**6. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE (cont'd...)**

**Stock options (cont'd...)**

The following warrants were outstanding at September 30, 2016:

Number of Warrants	Exercise Price	Expiry Date
1,567,000*	\$ 0.20	December 21, 2016
1,066,667	\$ 0.20	March 6, 2017
300,000	\$ 0.20	April 6, 2017
1,000,000	\$ 0.24	May 4, 2017
200,000	\$ 0.55	December 21, 2017
396,500	\$ 0.50	May 3, 2018
4,530,167		

\*500,000 warrants were exercised subsequently, remainder expired subsequently

**7. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers. Other than disclosed below, there was no other compensation paid to key management during the years ended September 30, 2016 and 2015. During the year ended September 30, 2016, the Company paid or accrued:

- (i) general, rent and administration fees of \$4,500 (2015 - \$20,775) to the CEO and a company with a common director of the Company.
- (ii) management fees of \$123,457 (2015 - \$119,461) to the CEO and CFO and companies controlled by CEO and CFO of the Company.
- (iii) directors fees of \$26,302 (2015 - \$33,810) to directors and a former director of the Company.
- (iv) professional and admin fees of \$Nil (2015 - \$19,500) and \$56,480 (2015 - \$56,721) to a former director and spouse of a director
- (v) professional fees of \$145,124 (2015 - \$Nil) to a law firm managed by a director of the Company for legal services.
- (vi) share-based compensation of \$31,291 (2015 - \$Nil) to directors of the Company.

Included in due to related parties as at September 30, 2016 is \$394,971 (2015 - \$474,210) due to directors, a spouse of a director, former directors and companies controlled by directors.

At September 30, 2016, the Company owed the CEO \$91,280 (2015 - \$Nil) for loans received from the CEO.

During the year ended September 30, 2016, the Company issued 510,000 common shares to directors of the Company to settle debts aggregating \$215,000 (Note 6).

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**8. CAPITAL MANAGEMENT**

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and to maintain sufficient funds to finance the exploration of its exploration and evaluation interests. Capital is comprised of the Company's shareholders' equity. As at September 30, 2016, the Company's shareholders' equity was \$1,482,628 (2015 – \$466,638).

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year ended September 30, 2016.

**9. FINANCIAL RISK FACTORS**

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

The carrying value of the Company's receivables, due from related parties, accounts payable and accrued liabilities, due to related parties, and mortgage payable approximate their fair value because of the short-term nature of these instruments. Cash is carried at a fair value using a level 1 fair value measurement. Loans payable are accounted for using the effective interest rate method.

*Credit risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfil its payment obligations. The Company's management believes it has no significant credit risk.

*Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2016, the Company had a cash balance of \$101,983 (2015 - \$155,430) to settle current liabilities of \$1,304,239 (2015 - \$1,118,929). All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company expects to fund these liabilities through the use of existing cash resources and additional equity financing.

*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 and equity prices.

a) Interest rate risk

The Company has cash balances held with financial institutions. The Company is satisfied with the credit rating of its bank.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in a foreign currency. As at September 30, 2016, the Company had minimal cash amounts in foreign currencies and considers foreign currency risk insignificant.

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**9. FINANCIAL RISK FACTORS (cont'd...)**

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of commodities, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

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

Significant non-cash transactions during the year ended September 30, 2016 include the Company:

- i) issued shares in settlement of \$316,276 worth of accounts payable and accrued liabilities.
- ii) issued 115,475 shares at a value of \$46,190 as the balance due for the finder's fee payable on the acquisition of the Iron Ore Property.
- iii) issued 2,000,000 shares at a value of \$575,000 pursuant to the acquisition of the L1 Property (formerly known as the Allen Property).

At September 30, 2016, the Company had an accounts payable balance of \$97,542 (2015 - \$133,063) related to exploration and evaluation asset expenditures.

Significant non-cash transactions during the year ended September 30, 2015 include the Company:

- i) capitalizing \$226,020 of mining equipment amortization to exploration and evaluation assets.
- ii) issued shares in settlement of \$22,625 worth of accounts payable and accrued liabilities.

**11. SEGMENTED INFORMATION**

The Company has one operating segment, being the exploration of exploration and evaluation assets in Canada. The Company's equipment and exploration and evaluation assets at September 30, 2016 were \$2,663,337 (2015 - \$1,636,772).

**12. SUBSIDIARIES**

Significant subsidiaries of the Company are as follows:

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	Country of Incorporation	Principal Activity	Effective interest for 2016 and 2015
Minera Sierra Gioc SA	Mexico	Holding company	100%
Sierra Iron Ore USA	United States	Mineral exploration	100%

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**CRYSTAL LAKE MINING CORPORATION**  
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**13. INCOME TAXES**

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

	<b>2016</b>		<b>2015</b>	
<b>Earnings (loss) for the year</b>	\$	(886,497)	\$	(1,493,793)
Expected income tax (recovery)	\$	(230,000)	\$	(388,000)
Change in statutory, foreign tax, foreign exchange rates and other		(13,000)		25,000
Permanent Difference		37,000		110,000
Share issue cost		(4,000)		(4,000)
Change in unrecognized deductible temporary differences		210,000		257,000
<b>Total income tax expense (recovery)</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>

The significant components of the Company's deferred tax assets and liabilities are as follows that have not been included on the consolidated statement of financial position as follows:

	<b>2016</b>		<b>2015</b>	
<b>Deferred Tax Assets (liabilities)</b>				
Exploration and evaluation assets	\$	1,449,000	\$	1,450,000
Share issue costs		10,000		16,000
Non-capital losses		1,628,000		1,429,000
<b>Unrecognized deferred tax assets</b>	<b>\$</b>	<b>3,087,000</b>	<b>\$</b>	<b>2,895,000</b>

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	<b>2016</b>		<b>Expiry Date Range</b>		<b>2015</b>		<b>Expiry Date Range</b>	
<b>Temporary Differences</b>								
Exploration and evaluation assets	\$	5,170,000	No expiry date		\$	5,173,000	No expiry date	
Investment tax credit		4,000	2020 to 2034			4,000	2020 to 2034	
Property and equipment		(132,000)	No expiry date			(204,000)	No expiry date	
Canadian eligible capital (CEC)		1,000	No expiry date			1,000	No expiry date	
Share issue costs		40,000	2037 to 2040			62,000	2036 to 2039	
Non-capital losses available for future period		6,207,000	2029 to 2036			5,447,000	2029 to 2035	

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

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**14. SUBSEQUENT EVENTS**

Subsequent to the year ended September 30, 2016, the Company:

- i) issued 500,000 common shares pursuant to exercise of warrants for gross proceeds of \$100,000. The proceeds were received during the year ended September 30, 2016.
- ii) closed a non-brokered private placement and issued 115,000 units for net proceeds of \$40,250. Each unit consists of one common share, issued at \$0.35 per share, and one-half common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of \$0.50 on or before November 15, 2018. The proceeds were received during the year ended September 30, 2016.
- iii) agreed to debt settlements whereby the Company issue 1,325,577 common shares to creditors to settle debts aggregating \$397,673.