# SIGNATURE RESOURCES LTD.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE THREE MONTH PERIODS ENDED
## JANUARY 31, 2016, AND 2015

**Notice of No Auditor Review of Interim Financial Statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The management of Signature Resources Ltd. is responsible for the preparation of the accompanying unaudited condensed consolidated interim financial statements. The unaudited condensed consolidated interim financial statement have been prepared in accordance with International Financial Reporting Standards and are considered by management to present fairly the consolidated financial position, operating results and cash flows of the Company.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor. These unaudited condensed consolidated interim financial statements include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the consolidated financial position, results of operations and cash flows.

| | |
|---|---|
| "Walter Hanych" | "Jonathan Held" |
| Walter Hanych,<br>Chief Executive Officer | Jonathan Held,<br>Chief Financial Officer |

March 22, 2016

**SIGNATURE RESOURCES LTD.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**
**AS AT**
**(Expressed in Canadian dollars)**

| | Note | January 31, 2016 (Unaudited) | October 31, 2015 (Audited) |
|---|---|---|---|
| | | $ | $ |
| ASSETS | | | |
| CURRENT | | | |
| Cash | | 27,465 | 45,210 |
| Amounts receivable | | 2,444 | 6,079 |
| Prepaid expenses and deposit | | 6,136 | 8,526 |
| Total current assets | | 36,045 | 59,815 |
| Exploration and evaluation assets | 4 | 2,117,517 | 2,102,517 |
| Total assets | | 2,153,562 | 2,162,332 |
| LIABILITIES | | | |
| CURRENT | | | |
| Accounts payable and accrued liabilities | 5,7 | 1,130,842 | 1,093,528 |
| Deferred premium liability | 12 | - | 425 |
| Rehabilitation provision | 8 | 13,256 | 13,184 |
| Total current liabilities | | 1,144,098 | 1,107,137 |
| Rehabilitation provision | 8 | 229,818 | 227,967 |
| Total liabilities | | 1,373,916 | 1,335,104 |
| SHAREHOLDERS’ EQUITY | | | |
| Share capital | 6 | 2,021,983 | 2,021,983 |
| Contributed surplus | | 437,999 | 437,297 |
| Deficit | | (1,680,336) | (1,632,052) |
| Total shareholders' equity | | 779,646 | 827,228 |
| Total liabilities and shareholders' equity | | 2,153,562 | 2,162,332 |

NATURE OF BUSINESS AND CONTINUING OPERATIONS (Note 1)
COMMITMENTS AND CONTINGENCIES (Note 9)

*“Signed”*
Keith McDowell, Director

*“Signed”*
Stephen Timms, Director

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

**SIGNATURE RESOURCES LTD.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**
**FOR THE THREE MONTH PERIODS ENDED JANUARY 31,**
**(Expressed in Canadian dollars)**

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| GENERAL AND ADMINISTRATION | | |
| Salaries and wages | 24,000 | 24,000 |
| Office and general | 6,636 | 4,926 |
| Professional fees | 15,463 | 2,648 |
| Consulting fees | - | 3,000 |
| Accretion expense (Note 8) | 1,923 | 1,863 |
| Share-based payments (Note 6) | 702 | 2,300 |
| NET LOSS BEFORE OTHER ITEMS | (48,724) | (38,737) |
| Premium on flow-through shares income (Note 12) | 425 | 5,000 |
| Other income | 15 | 437 |
| NET LOSS AND COMPREHENSIVE LOSS | (48,284) | (33,300) |
| LOSS PER SHARE, basic and diluted | (0.00) | (0.00) |
| Weighted average number of common shares, basic and diluted | 28,737,501 | 23,409,784 |

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

**SIGNATURE RESOURCES LTD.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**
**FOR THE THREE MONTH PERIODS ENDED JANUARY 31,**
**(Expressed in Canadian dollars)**

| | 2016 | 2015 |
|---|---|---|
| | $ | $ |
| OPERATING ACTIVITIES | | |
| Net loss for the period | (48,284) | (33,300) |
| Items not affecting cash: | | |
| Accretion expense | 1,923 | 1,863 |
| Share-based payments | 702 | 2,300 |
| Premium on flow-through shares income (Note 12) | (425) | (5,000) |
| | (46,084) | (34,137) |
| Changes in non-cash working capital items: | | |
| Amounts receivable | 3,635 | (12,975) |
| Prepaid expenses and deposit | 2,390 | 1,770 |
| Accounts payable and accrued liabilities | 23,392 | (97,920) |
| Cash flows used in operating activities | (16,667) | (143,262) |
| FINANCING ACTIVITIES | | |
| Shares to be issued (Note 6) | - | (30,000) |
| Proceeds from private placement (Note 6) | - | 184,530 |
| Cash flows from financing activities | - | 154,530 |
| INVESTING ACTIVITIES | | |
| Short-term investments | - | 30,000 |
| Expenditures on exploration and evaluation assets (Note 4) | (1,078) | (16,875) |
| Cash flows from (used in) investing activities | (1,078) | 13,125 |
| Change in cash during the period | (17,745) | 24,393 |
| Cash, beginning of period | 45,210 | 10,167 |
| Cash, end of period | 27,465 | 34,560 |
| Non-cash activities: | | |
| Change in accrued expenditures on exploration and evaluation assets | 13,922 | (1,350) |

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

**SIGNATURE RESOURCES LTD.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**
**FOR THE THREE MONTH PERIODS ENDED JANUARY 31, 2016 AND 2015**
**(Expressed in Canadian dollars)**

| | Number of Shares | Share Capital | Shares to be Issued | Contributed Surplus | Deficit | Total |
|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ |
| Balance, October 31, 2014 | 18,630,001 | 1,753,159 | 30,000 | 362,064 | (1,514,430) | 630,793 |
| Issuance of flow-through common shares (Note 6) | 937,500 | 37,500 | - | - | - | 37,500 |
| Issuance of non-flow-through common shares (Note 6) | 5,170,000 | 155,100 | (30,000) | - | - | 125,100 |
| Share issuance costs (Note 6) | - | (8,070) | - | - | - | (8,070) |
| Premium on flow-through shares (Notes 6 & 12) | - | (9,375) | - | - | - | (9,375) |
| Issuance of warrants (Note 6) | - | (69,747) | - | 69,747 | - | - |
| Share-based payments | - | - | - | 2,300 | - | 2,300 |
| Comprehensive loss for the period | - | - | - | - | (33,300) | (33,300) |
| Balance, January 31, 2015 | 24,737,501 | 1,858,567 | - | 434,111 | (1,547,730) | 744,948 |
| | | | | | | |
| Balance, October 31, 2015 | 28,737,501 | 2,021,983 | - | 437,297 | (1,632,052) | 827,228 |
| Share-based payments | - | - | - | 702 | - | 702 |
| Comprehensive loss for the period | - | - | - | - | (48,284) | (48,284) |
| Balance, January 31, 2016 | 28,737,501 | 2,021,983 | - | 437,999 | (1,680,336) | 779,646 |

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

1. NATURE OF BUSINESS AND CONTINUING OPERATIONS

Signature Resources Ltd. (the "Company") was incorporated on May 3, 2010, under the British Columbia Business Corporations Act. The Company's principal business activities include the acquisition and exploration of mineral properties in Canada. The Company's common shares are publicly traded on the TSX-Venture Exchange ("TSXV") under the stock symbol "SGU". The Company's head office address is 1103-44 Victoria Street, Toronto, ON M5C 1Y2.

At January 31, 2016, the Company had not yet determined whether its properties contained ore reserves that are economically recoverable. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry practice for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or non-compliance with regulatory requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations and restrictions and political uncertainty.

As at January 31, 2016, the Company has an accumulated deficit of $1,680,336 (October 31, 2015 - $1,632,052), a working capital deficiency of $1,108,053 (October 31, 2015 - $1,047,322), and is not yet generating positive cash flows from operations. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue its operations as a going concern and to realize its assets as their carrying values are dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

The Company will need to raise capital in order to fund its operations. To address its financing requirements, the Company will seek financing through debt and equity financings, asset sales, and rights offerings to existing shareholders. The outcome of these matters cannot be predicted at this time.

These condensed consolidated interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed consolidated interim financial statements. Such adjustments could be material.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

The Company's condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". Accordingly, these condensed consolidated interim financial statements do not include all information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended October 31, 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on March 21, 2016.

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, Cool Minerals Inc. On November 10, 2014, the Company completed an internal reorganization by amalgamating of Cool Minerals Inc. with Eagle Feather Resources Inc. All intercompany amounts and transactions have been eliminated on consolidation.

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out in Note 3 of the Company's annual financial statements for the year ended October 31, 2015.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (continued)

The preparation of these financial statements under IFRS requires management to make certain estimates, judgments and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge on the amount, event or actions, actual results may differ from those estimates and these differences could be material.

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

i. Exploration and evaluation expenditures

The application of the Company’s accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after costs are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

ii. Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

iii. Estimation of restoration, rehabilitation and environmental obligation:

Restoration, rehabilitation and environmental liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of restoration, rehabilitation and environmental liabilities that may occur upon ceasing exploration and evaluation activities. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE (continued)

iv. Share-based payments

The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumption about them, the assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

(i) Effective for annual periods beginning on or after November 1, 2016:

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

IFRS 7 – Financial Instruments: Disclosures ("IFRS 7") was amended in September 2014 to clarify whether a servicing contract is continuing involvement in a transferred asset for purposes of determining the disclosures required. IFRS 7 was also amended to clarify that the additional disclosures relating to offsetting are not specifically required for interim periods unless required by IAS 34. The amendments are effective for annual periods beginning on or after January 1, 2016.

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

**(Expressed in Canadian Dollars)**

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

(i) Effective for annual periods beginning on or after November 1, 2016: (continued)

IAS 12 – Income Taxes (“IAS 12”) was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument’s holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

The Company has not early adopted these new or revised standards and is currently assessing the impact that these standards will have on the consolidated financial statements.

4. EXPLORATION AND EVALUATION ASSETS

| | **Lingman Lake** |
|---|---:|
| | $ |
| Balance, October 31, 2014 | 2,036,841 |
| Consulting expenses | 65,676 |
| Balance, October 31, 2015 | 2,102,517 |
| Consulting expenses | 15,000 |
| Balance, January 31, 2016 | 2,117,517 |

Lingman Lake

On September 26, 2013, the Company acquired a 100% equity interest in Cool Minerals Inc., acquiring a 100% interest in the Lingman Lake gold properties in Ontario. $200,000 was required to be made 12 months following exercise of the option. On February 11, 2015, the Company satisfied the $200,000 payment by completing a shares for debt transaction (Note 6).

East Lingman Lake

On November 4, 2013, the Company entered into an option agreement with European Metals Corp. (formerly, Mantis Mineral Corp. (“EMC”)) to acquire a 100% registered undivided interest in the East Lingman Lake Properties consisting of twelve staked claims, which form a contiguous property with the Company’s current Lingman Lake Property. EMC currently owns an option agreement to acquire a 100% interest in the East Lingman Lake Properties from John Leliever.

In order to acquire the East Lingman Lake Properties, the Company shall:

- pay EMC $127,500, or the number of common shares in the capital of the Company equal to $127,500, each such common share at an attributed value of $0.085, or such value allowable under the TSXV Exchange policies on or before June 30, 2014; and
- pay an aggregate amount of $600,000 in three installments of $200,000 on June 30, 2014, 2015 and 2016 to John Leliever. The Company may satisfy all or part of its payment obligations by the issuance of a number of common shares as may be agreed, subject to TSXV and regulatory approval.

4. EXPLORATION AND EVALUATION ASSETS (continued)

With respect to the issuance of common shares to satisfy the June 30, 2014 and 2015 payments above, the Company has been granted an extension to June 30, 2016. However, the acquisition of the property and the issuance of such shares remain subject to the approval of the TSXV Exchange. The TSXV has granted conditional approval to the Company to close on the transaction upon the Company raising funds to increase its treasury to $300,000. As of January 31, 2016, no payments have been made to acquire the East Lingman Lake Properties.

5. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Transactions with related parties are incurred in the normal course of business and are measured at their fair values, which is the amount of consideration established and approved by the related parties. As at January 31, 2016, the Company owes $115,330 (October 31, 2015 - $93,080) to Executives of the Company for unpaid salaries and wages. This amount remains in accounts payable as at January 31, 2016. These amounts are unsecured, non-interest bearing and due on demand. See Note 6.

6. SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value.

b) Issued and outstanding – see consolidated statements of changes in equity

On February 11, 2015, the Company completed a shares for debt transaction by issuing 4,000,000 shares to settle an aggregate of $200,000 of debt which was owing to an arm's-length party for the acquisition of Cool Minerals Inc. (Note 4). The shares are subject to a four month and one day hold period.

On November 21, 2014, the Company completed a non-brokered private placement of units and flow-through units under which it raised gross proceeds of $192,600 from the sale of 5,170,000 units at $0.03 per unit and 937,500 flow-through units at $0.04 per unit. Cash proceeds of $30,000 related to this private placement were received in advance during the year ended October 31, 2014. In addition, 5,638,750 warrants priced at $0.05 per unit, valued at $66,789 and exercisable until November 21, 2017, were issued in connection with this private placement. Issuance costs of $8,070 were incurred in connection with this private placement. The premium on the flow-through shares was $9,375. The Company also issued finder's warrants to purchase 128,600 common shares at $0.05 per share, valued at $2,958 and exercisable until November 21, 2017. Officers and directors of the Company subscribed for 1,500,000 units for gross proceeds of $45,000.

c) Stock option plan

Under the Company's stock option plan (the "Plan"), the Company's Board of Directors is authorized to grant stock options to directors, senior officers, employees, consultants, consultant company or management company employees of the Company and its subsidiaries not to exceed 10% of the issued and outstanding common shares of the Company from time to time. Stock options granted under the Plan are exercisable over a period not exceeding 10 years from the date granted. Exercise prices may not be less than the market price of the common shares at the time of the grant. An option shall vest in the manner imposed by the Board of Directors as a condition at the grant date.

**(Expressed in Canadian Dollars)**

6. SHARE CAPITAL (continued)

(c) Stock option plan (continued)

| | Number of Options | | Weighted Average Exercise Price |
|---|---|---|---|
| Balance at October 31, 2014 | 1,450,000 | $ | 0.05 |
| Granted | 250,000 | | 0.05 |
| Balance at January 31, 2015 | 1,700,000 | $ | 0.05 |
| Granted | 250,000 | | 0.05 |
| Expired | (50,000) | | 0.20 |
| Balance at October 31, 2015 and January 31, 2016 | 1,900,000 | $ | 0.05 |

| Grant Date | Exercise Price ($) | Weighted Average Remaining Life (yrs) | Number of Options Outstanding | Number of Options Exercisable |
|---|---|---|---|---|
| November 16, 2013 | 0.05 | 2.77 | 1,400,000 | 1,400,000 |
| December 1, 2014 | 0.05 | 1.84 | 250,000 | 250,000 |
| July 15, 2015 | 0.05 | 4.46 | 250,000 | 125,000 |
| | 0.05 | 3.12 | 1,900,000 | 1,775,000 |

All options originally issued prior to October 31, 2013, have an exercise price of $0.20, are fully vested and have expired during the year ended October 31, 2015. On November 6, 2013, the Company issued 1,400,000 stock options to directors, officers and consultants. Each option has an exercise price of $0.05 and expires on November 6, 2018. The initial 50% of options vested immediately, and the remaining options vested on the first anniversary.

On December 1, 2014, the Company issued 250,000 options to an investor relations consultant. The options have an exercise price of $0.05, vest 25% quarterly over 12 months and expire on December 1, 2017.

On July 15, 2015, the Company issued 250,000 options to a director of the Company. The options have an exercise price of $0.05 and expire on July 15, 2020. The initial 50% of options vested immediately and the remaining options vest on the first anniversary.

The fair value of the Company's stock options issued during the period ended January 31, 2016, was estimated using the Black-Scholes option pricing model using the following assumptions:

| | January 31, 2016 | January 31, 2015 |
|---|---|---|
| Expected volatility (based on historical share prices) | Nil% | 100% |
| Risk-free interest rate | Nil% | 0.98% |
| Expected life (years) | Nil | 3 |
| Expected dividend yield | Nil | Nil |
| Forfeiture rate | Nil | Nil |
| Underlying share price | $Nil | $0.040 |

The average fair value of each option granted during the period ended January 31, 2016 was approximately $Nil (2015 - $0.023) Volatility is determined based on a review of share price volatilities of public companies considered comparable to the Company, given that the Company's own shares have a limited trading history and liquidity.

**(Expressed in Canadian Dollars)**

6. SHARE CAPITAL (continued)

(d) Warrants

On November 21, 2014, the Company issued 5,638,750 warrants of the Company with an exercise price of $0.05 per common share, exercisable until November 21, 2017. The fair value for the warrants of $66,789 was determined using the Black-Scholes pricing model with the following assumptions: exercise price of $0.05, expected volatility of 100%, an expected life of 3 years, an expected dividend yield of 0%, and a risk-free interest rate of 1.04%.

On November 21, 2014, the Company issued 128,600 finder's warrants of the Company with an exercise price of $0.05 per common share, exercisable until November 21, 2017. The fair value for the warrants of $2,958 was determined using the Black-Scholes pricing model with the following assumptions: exercise price of $0.05, expected volatility of 100%, an expected life of 3 years, an expected dividend yield of 0%, and a risk-free interest rate of 1.04%.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | | As at January 31, 2016 | | As at October 31, 2015 |
|---|---|---|---|---|
| Accounts payable | $ | 63,227 | $ | 63,163 |
| Accrued liabilities - MNDM(1) | | 884,325 | | 884,325 |
| Other accrued liabilities | | 183,290 | | 146,040 |
| | $ | 1,130,842 | $ | 1,093,528 |

(1) Prior to the acquisition of Cool Minerals and the Lingman Lake Property, the MNDM had requested the removal of certain above ground storage tanks containing approximately 800,000 litres of fuel that was considered a mine hazard. Due to the failure of the prior owners to comply with MNDM's request for it to be cleaned up, MNDM took action and managed the disposition of the fuel at a cost of $884,325.

8. REHABILITATION PROVISION

Rehabilitation represents the legal and contractual obligations associated with the eventual closure of the Company's mining operations either progressively or at the end of the mine life. These obligations consist of costs associated with reclamation and monitoring activities and the removal of tangible assets from the Company's mining sites. Although the Company has had limited exploration, historical work done by other companies has resulted in the MNDM issuing an order to the Company requiring the filing of a closure plan. The Company has not yet prepared a formal closure plan, but has cost estimates for certain tasks which will be required to be completed as part of the request from MNDM and has hence recorded a rehabilitation provision based on these preliminary estimates.

At January 31, 2016, the total undiscounted amount of the Company's rehabilitation provision has been estimated to be $230,000 and is expected to be incurred between 2016 and 2020. The present value of the rehabilitation provision at January 31, 2016 has been estimated at $243,074 (October 31, 2015 - $241,151). Additional costs that cannot be estimated are expected to be incurred. A summary of the Company's rehabilitation provision is presented below:

**(Expressed in Canadian Dollars)**

8. REHABILITATION PROVISION (continued)

| | As at January 31, 2016 | As at October 31, 2015 |
|---|---|---|
| Balance at beginning of period | $ 241,151 | $ 233,609 |
| Accretion expense | 1,923 | 7,542 |
| Balance at end of period | $ 243,074 | $ 241,151 |

9. COMMITMENTS AND CONTINGENCIES

The Company is obligated to make certain payments as described in Note 4 in connection with the acquisition of its evaluation and exploration asset.

As at January 31, 2016, the Company has incurred the total eligible expenditures in respect of its November 21, 2014 flow-through financing and has no further commitments (Note 12).

10. MANAGEMENT OF CAPITAL

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to pursue the sourcing and exploration of mineral properties. From time to time, the Company may issue flow-through shares, under which it agrees to complete flow-through eligible expenditures to renounce to the flow-through shareholders.

As at January 31, 2016, the Company considers capital to be all components of shareholders’ equity. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

The Company's capital management objectives, policies and processes have remained unchanged during the periods ended January 31, 2016 and 2015.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

11. FINANCIAL INSTRUMENTS

Fair Value

The Company’s financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities. The fair values of financial instruments other than cash and short-term investments approximate their carrying values because of their current nature.

The following table summarizes the carrying values of the Company’s financial instruments:

| | As at January 31, 2016 | As at October 31, 2015 |
|---|---|---|
| | $ | $ |
| FVTPL (i) | 27,465 | 45,210 |
| Loans and receivables (ii) | 2,444 | 6,079 |
| Other financial liabilities (iii) | 1,130,842 | 1,093,528 |

11. FINANCIAL INSTRUMENTS (continued)

(i) Cash
(ii) Amounts receivable
(iii) Accounts payable and accrued liabilities

The Company classifies its fair value measurements in accordance with the three levels fair value hierarchy as follows:

- 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 date.

The Company's financial instruments measured at fair value on a recurring basis at January 31, 2016 are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Cash | 27,465 | - | - | 27,465 |
| | 27,465 | - | - | 27,465 |

The Company's financial instruments measured at fair value on a recurring basis at October 31, 2015 are as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Cash | 45,210 | - | - | 45,210 |
| | 45,210 | - | - | 45,210 |

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and short-term investments. To minimize the credit risk on cash the Company places the instrument with a high credit quality financial institution.

Liquidity Risk

The Company ensures its holding of cash is sufficient to meet its short-term general and administrative expenditures. All of the Company's financial liabilities have contractual maturities of 30 days or less or are due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed commercial paper or similar instruments.

Foreign Exchange Risk

The Company does not have significant foreign exchange risk as all of its transactions are in Canadian dollars.

Interest Rate Risk

The Company is not exposed to significant interest rate risk.

11. FINANCIAL INSTRUMENTS (continued)

Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities may be subject to risks associated with fluctuations in the market price of commodities. Management closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

12. DEFERRED PREMIUM ON FLOW-THROUGH SHARES

The premium paid for flow-through shares in excess of the market value of the shares without the flow-through features is initially recognized as a liability. The liability is subsequently reduced and recorded in the consolidated statement of loss on a pro-rata basis based on the corresponding eligible expenditures that have been incurred. Total premium liability of $9,375 was recognized in respect of the November 21, 2014 flow-through financing.

During the three months ended January 31, 2016, $425 (2015 - $5,000) of the deferred premium liability was recognized as income in the consolidated statements of loss.

As at January 31, 2016, the premium liability remaining was $Nil (October 31, 2015 - $425) and remaining commitment was $Nil (2015 - $17,500) (Note 9).