CALIFORNIA GOLD MINING INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED MAY 31, 2017

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of California Gold Mining Inc. have been prepared by and are the responsibility of the Company’s management. The Company’s independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

California Gold Mining Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited, Expressed in Canadian Dollars)

		May 31, 2017		August 31, 2016
ASSETS				
Current assets				
Cash and cash equivalents	**$**	**237,235**	$	4,854
HST recoverable, accrued interest and amounts receivable		**14,880**		34,775
Prepaid expenses		**106,351**		58,440
Total current assets		**358,466**		98,069
Other assets				
Prepaid expenses		**-**		6,206
Property, plant and equipment (note 4)		**6,599,478**		6,427,232
Total assets	**$**	**6,957,944**	$	6,531,507
EQUITY AND LIABILITIES				
Current liabilities				
Amounts payable and other liabilities (note 10)	**$**	**631,442**	$	312,289
Subscription proceeds received/refundable		**202,000**		-
Total current liabilities		**833,442**		312,289
Equity				
Share capital (note 5)		**17,852,906**		17,142,527
Reserves (note 11)		**10,335,631**		9,783,702
Accumulated other comprehensive loss		**177,546**		(3,884)
Accumulated deficit		**(22,241,581)**		(20,703,127)
Total equity		**6,124,502**		6,219,218
Total equity and liabilities	**$**	**6,957,944**	$	6,531,507

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

Nature of operations and going concern (note 1)

Approved on behalf of the Board:

Signed “Vishal Gupta”, Director

Signed “Patrick Cronin“”, Director

California Gold Mining Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited, Expressed in Canadian Dollars)

	Three months ended		Nine months ended	
	May 31 2017	**May 31 2016**	**May 31 2017**	**May 31 2016**
Operating expenses	**$**	**$**	**$**	**$**
Exploration costs expensed (note 3)	**45,578**	568,629	**311,141**	4,728,073
Investor relations	**87,617**	81,016	**312,037**	212,794
Management fees (note 10)	**61,750**	74,583	**185,250**	164,583
Professional fees	**74,303**	28,360	**162,577**	90,776
Salaries and wages	**48,405**	109,104	**137,307**	261,826
Occupancy costs	**40,219**	27,840	**112,242**	78,693
Share-based compensation (notes 6 and 10)	**45,602**	420	**85,934**	3,081
Property taxes	**19,403**	17,371	**73,403**	53,330
Shareholder information and compliance	**1,229**	14,116	**62,523**	48,342
Depreciation	**12,777**	11,064	**38,189**	33,019
Other general and administrative	**(4,775)**	10,626	**29,495**	23,023
Insurance	**7,567**	8,320	**22,460**	25,357
Interest and bank charges	**1,875**	1,061	**4,463**	3,550
Loss (gain) on foreign exchange	**3,441**	337,264	**3,565**	26,888
Loss before below items	**(444,991)**	(1,289,774)	**(1,540,586)**	(5,753,335)
Interest Income	**-**	-	**-**	2,051
Other income	**20**	1,558	**2,132**	4,810
Net loss for the period	**(444,971)**	(1,288,216)	**(1,538,454)**	(5,746,474)
Other comprehensive income (loss) for the period				
Items that will be reclassified to profit or loss				
Foreign exchange translation	**123,677**	97,479	**181,430**	99,633
Net comprehensive loss for the period	**(321,294)**	(1,190,737)	**(1,357,024)**	(5,646,841)
Basic and diluted net loss per share (note 7)	**(0.01)**	(0.04)	**(0.05)**	(0.21)
Weighted average number of common shares outstanding	**32,178,949**	29,017,007	**31,967,967**	27,679,320

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

California Gold Mining Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited, Expressed in Canadian Dollars)

	Nine months ended May 31, 2017	Nine months ended May 31, 2016
Operating activities		
Net loss for the period	**$ (1,538,454)**	$ (5,746,474)
Adjustments for non-cash items:		
Depreciation	**38,189**	33,019
Share-based compensation	**85,934**	3,081
Changes in non-cash working capital		
HST recoverable, accrued interest and amounts receivable	**19,895**	(79)
Prepaid	**(41,705)**	(44,736)
Amounts payable, other liabilities and deposits	**521,153**	60,640
Net cash used in operating activities	**(914,988)**	(5,694,549)
Investing activity		
Purchase of property, plant and equipment	**(22,916)**	(68,400)
Net cash used in investing activity	**(22,916)**	(68,400)
Financing activity		
Issue of securities, net of costs	**1,176,374**	1,615,420
Net cash provided by financing activity	**1,176,374**	1,615,420
Net change in cash and cash equivalents	**238,470**	(4,147,529)
Effect of foreign currency translation	**(6,089)**	123,131
Cash and cash equivalents, beginning of the period	**4,854**	4,629,785
Cash and cash equivalents, end of the period	**$ 237,235**	$ 605,387

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

California Gold Mining Inc.
Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited, Expressed in Canadian Dollars)

Equity attributable to shareholders

	Number of shares	Share capital	Reserves (note 11)	Accumulated other comprehensive income (loss)	Accumulated deficit	Total equity
	#	$	$	$	$	$
Balance, August 31, 2015	**27,004,643**	**16,203,489**	**8,751,000**	**(66,846)**	**(13,926,882)**	**10,960,761**
Private placements (note 5(i), (ii) and (iii))	3,318,500	1,659,250	-	-	-	1,659,250
Valuation of warrants	-	(681,982)	681,982	-	-	-
Transaction costs	-	(37,367)	(6,463)	-	-	(43,830)
Share-based payments	-	-	3,081	-	-	3,081
Net loss and comprehensive loss of period	-	-	-	99,633	(5,746,474)	(5,646,841)
Balance, May 31, 2016	**30,323,143**	**17,143,390**	**9,429,600**	**32,787**	**(19,673,356)**	**6,932,421**
Transaction costs	-	(863)	-	-	-	(863)
Share-based payments	-	-	354,102	-	-	354,102
Net loss and comprehensive loss of period	-	-	-	(36,671)	(1,029,771)	(1,066,442)
Balance, August 31, 2016	**30,323,143**	**17,142,527**	**9,783,702**	**(3,884)**	**(20,703,127)**	**6,219,218**
Private placements (note 5 (iv) and (v))	1,855,806	1,206,274	-	-	-	1,206,274
Valuation of warrants	-	(453,035)	453,035	-	-	-
Transaction costs	-	(42,860)	12,960	-	-	(29,900)
Share-based payments	-	-	85,934	-	-	85,934
Net loss and comprehensive loss of period	-	-	-	181,430	(1,538,454)	(1,357,024)
Balance, May 31, 2017	**32,178,949**	**17,852,906**	**10,335,631**	**177,546**	**(22,241,581)**	**6,124,502**

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

1. Nature of operations and going concern

California Gold Mining Inc. ("California Gold" or the "Corporation"), which, prior to April 11, 2013 was named Upper Canada Gold Corporation and prior to January 29, 2010 was named Washmax Corp. On February 9, 2010, the Corporation's shares commenced trading on the TSX Venture Exchange under the symbol "UCC" and on April 15, 2013, the Corporation's symbol was changed to "CGM". Effective June 2, 2016, the Company continued to the Business Corporations Act (Ontario) from the Business Corporations Act (Alberta) where the Company was initially incorporated on September 17, 1998. The registered office of the Corporation is located at Exchange Tower, 130 King Street West, Suite 1800, Toronto, Ontario, Canada, M5X 1E3.

On January 29, 2010, the Corporation acquired the Dingman Property and became a junior exploration company engaged in the acquisition, exploration and development of mineral resource properties. On March 1, 2013, the Corporation purchased a fee simple interest (subject to a 3% net smelter royalty) in approximately 3,351 acres of land located 15 miles north of the town of Mariposa, California which the Corporation has previously referred to as the Pine Tree Property and that is now referred to as the Fremont Property. The Corporation has not earned any income from operations.

For the period ended May 31, 2017, the Company incurred a loss of $1,538,454 and had an accumulated deficit of $22,241,581. As at May 31, 2017, the Company had a working capital deficit of $474,976. These factors indicate the existence of material uncertainties that cast significant doubt regarding the Company's ability to continue as a going concern. In order to meet future expenditures and cover administrative costs, the Company may need to raise additional financing. These condensed interim consolidated financial statements have been prepared on 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 condensed interim consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. Significant accounting policies

(a) Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Company reported in Note 2 in its audited annual consolidated financial statements for the year ended August 31, 2016. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these condensed interim consolidated financial statements.

The condensed interim consolidated financial statements were authorized by the Board of Directors on July 25, 2017.

(b) New accounting standards and interpretations

Recent accounting pronouncements

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in its final form in July 2014 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. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. 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. The Corporation has not assessed the impact of IFRS 9 on its condensed interim consolidated financial statements and the standard will be adopted on its effective date.

(Unaudited, Expressed in Canadian Dollars)

In January 2016, the IASB issued IFRS 16, Leases (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-statement of financial position finance leases and off- statement of financial position operating leases. Instead, there is a single, on- statement of financial position accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

3. Exploration and evaluation expenditures on mineral properties

a) Dingman Property:

Costs incurred on the mineral interests for the Dingman Property for the nine months ended May 31, 2017 and 2016 are summarized as follows:

	2017	2016
Exploration costs	$ 15,614	$ 2,700

Total cumulative costs incurred on the Dingman Property as of May 31, 2017 are summarized as follows:

Acquisition costs	$ 2,139,055
Exploration costs	1,209,644
Land access fees	85,500
Finder fee	25,000
	$ 3,459,199

b) Fremont Property

On March 1, 2013, the Corporation completed the acquisition of a fee simple interest (subject to a 3% net smelter royalty) of 3,351 acres of land in Mariposa County, California known as the Fremont Property. The purchase was completed through the Corporation's wholly owned subsidiary, Fremont Gold Mining LLC. The purchase price consisted of aggregate consideration to the Vendor of US$5,120,000 of which US$4,999,949 was paid on closing. The Corporation also paid a third party an aggregate finder's fee of US$303,600 of which US$253,600 was paid on closing. On the basis of an appraisal commissioned by the Corporation and dated June 20, 2013, the purchase price paid upon closing of US$4,999,949 is allocated as follows:

Land	US$4,650,000
Building	US$160,000
Acquisition expense	US$189,949

(Unaudited, Expressed in Canadian Dollars)

b) Fremont Property (continued)

Costs incurred on the fee simple interest for the Fremont Property for the nine months ended May 31, 2017 and 2016 are summarized as follows:

		2017		2016
Exploration and development expenditures	$	295,527	$	4,725,373

Total cumulative costs incurred on the Fremont Property as of May 31, 2017 are summarized as follows:

Acquisition and improvement costs	$	5,885,901
Exploration and development costs		7,415,603
	$	13,301,504

4. Property, plant and equipment

Cost	**Furniture and Fixtures**	**Leasehold improvements**	**Computer equipment**	**Computer Software**	**Vehicles**	**Field equipment**	**Building**	**Land**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance, August 31, 2015	**7,503**	**8,927**	**15,415**	**19,118**	**52,187**	**50,196**	**230,929**	**6,131,666**	**6,515,941**
Additions	4,327	-	4,653	-	-	66,084	-	-	75,064
Effect of foreign exchange adjustment	(11)	-	(52)	(21)	(163)	(875)	(720)	(19,108)	(20,950)
Balance, August 31, 2016	**11,819**	**8,927**	**20,016**	**19,097**	**52,024**	**115,405**	**230,209**	**6,112,558**	**6,570,055**
Additions	2,550	-	-	-	-	20,366	-	-	22,916
Effect of foreign exchange adjustment	101	-	218	194	1,523	3,622	6,740	178,959	191,357
Balance, May 31, 2017	**14,470**	**8,927**	**20,234**	**19,291**	**53,547**	**139,393**	**236,949**	**6,291,517**	**6,784,328**

Accumulated depreciation	**Furniture and Fixtures**	**Leasehold improvements**	**Computer equipment**	**Computer Software**	**Vehicles**	**Field equipment**	**Building**	**Land**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Balance, August 31, 2015	**2,474**	**8,927**	**8,632**	**8,416**	**28,537**	**16,985**	**25,190**	**-**	**99,161**
Additions	1,218	-	2,739	3,217	7,152	18,369	8,728	-	41,423
Effect of foreign exchange adjustment	(8)	-	(18)	(21)	(168)	(251)	2,704	-	2,238
Balance, August 31, 2016	**3,684**	**8,927**	**11,353**	**11,612**	**35,521**	**35,103**	**36,622**	**-**	**142,822**
Additions	1,346	-	1,967	1,694	3,772	20,641	8,769	-	38,189
Effect of foreign exchange adjustment	47	-	94	134	1,090	1,286	1,188	-	3,839
Balance, May 31, 2017	**5,077**	**8,927**	**13,414**	**13,440**	**40,383**	**57,030**	**46,579**	**-**	**184,850**

Net carrying value	**Furniture and Fixtures**	**Leasehold improvements**	**Computer equipment**	**Computer Software**	**Vehicles**	**Field equipment**	**Building**	**Land**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
August 31, 2015	5,029	-	6,783	10,702	23,650	33,211	205,739	6,131,666	6,416,780
August 31, 2016	**8,135**	**-**	**8,663**	**7,485**	**16,503**	**80,302**	**193,587**	**6,112,558**	**6,427,232**
May 31, 2017	**9,393**	**-**	**6,820**	**5,851**	**13,164**	**82,363**	**190,370**	**6,291,517**	**6,599,478**

5. Share capital

a) Authorized share capital

Unlimited number of voting common shares
Unlimited number of non-voting first preferred shares
Unlimited number of non-voting second preferred shares

b) Equity activity

(i) On March 17, 2016, the Corporation closed a non-brokered private placement of 1,800,000 units ("Units") at a price of $0.50 per Unit for total proceeds of $900,000 (the "Offering"). Each Unit was comprised of one common share and one common share purchase warrant with each warrant entitling the holder to acquire a further common share of the Company at a price of $1.00 for three years following the date of issuance. The fair value of common share purchase warrants issued in this placement was estimated at $354,313.

The Corporation incurred transaction costs of $9,034, of which $3,564 was allocated to warrants.

1,600,000 Units representing gross proceeds of $800,000 were issued to a corporation controlled by a director of the Corporation.

(ii) On April 22, 2016, the Corporation closed a non-brokered private placement of 798,500 units ("Units") at a price of $0.50 per Unit for total proceeds of $399,250. Each Unit was comprised of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire a further common share of the Company at a price of $1.00 for three years following the date of issuance. The fair value of common share purchase warrants issued in this placement was estimated at $164,524.

The Corporation incurred transaction costs of $8,160, of which $2,898 was allocated to warrants.

(iii) On May 5, 2016, the Corporation closed a non-brokered private placement of 720,000 units ("Units") at a price of $0.50 per Unit for gross proceeds of $360,000 (the "Offering"). Each Unit was comprised of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire a further common share of the Company at a price of $1.00 for three years following the date of issuance. The fair value of common share purchase warrants issued in this placement was estimated at $146,832.

The Corporation incurred transaction costs of $27,500. In connection with the Offering, the Company issued 48,300 broker warrants with each broker warrant entitling the holder to acquire a further common share of the Company at a price of $1.00 for three years following the date of issuance.

(iv) On September 8, 2016, the Corporation closed a non-brokered private placement of 720,422 units ("Units") at a price of $0.65 per Unit for total proceeds of $468,274. Each Unit was comprised of one common share and one half of one common share purchase warrant, with each whole warrant entitling the holder to acquire a further common share of the Company at a price of $1.00 for three years following the date of issuance. The fair value of common share purchase warrants issued in this placement was estimated at $134,475.

The Corporation incurred transaction costs of $20,150. In connection with the Offering, the Company issued 23,100 broker warrants (valued at $12,960) with each broker warrant entitling the holder to acquire one Unit of the financing at a price of $0.65 for three years following the date of issuance.

(v) On October 20, 2016, the Corporation closed a non-brokered private placement of 1,135,385 units ("Units") at a price of $0.65 per Unit for total proceeds of $738,000. Each Unit was comprised of one common share and one half of one common share purchase warrant, with each whole warrant entitling the holder to acquire a further common share of the Company at a price of $1.00 for three years following the date of issuance. The fair value of common share purchase warrants issued in this placement was estimated at $318,560.

(Unaudited, Expressed in Canadian Dollars)

The Corporation incurred transaction costs of $9,750.

1,075,923 Units representing gross proceeds of $700,000 were issued to a corporation controlled by a director of the Corporation.

6. Stock options

On April 4, 2013, the shareholders of the Corporation approved an amendment to its stock option plan (the "Plan") whereby the Corporation is authorized to grant options to purchase up to 2,561,500 outstanding common shares of the Corporation to directors, senior officers, full time employees and/or consultants of the Corporation. The terms of the awards under the Plan are determined by the Board of Directors.

	Number of stock options	Weighted average exercise price (iii) ($)
Balance, August 31, 2015	850,000	0.75
Granted (i)	620,000	0.75
Balance, August 31, 2016	**1,470,000**	**0.75**
Granted	120,000	0.75
Expired	(360,000)	0.75
Balance, May 31, 2017	**1,230,000**	**0.75**

The following table reflects the actual stock options issued and outstanding as of May 31, 2017:

Expiry date	Exercise price(iii)($)	Options outstanding	Weighted average remaining contractual life (yrs)	Options exercisable	Grant date fair value ($)
April 22, 2018	0.75	240,000	0.89	240,000	367,920
May 14, 2018	0.75	25,000	0.95	25,000	30,900
December 20, 2018	0.75	100,000	1.56	100,000	28,362
July 27, 2019	0.75	60,000	2.16	60,000	34,200
September 2, 2019	0.75	125,000	2.26	125,000	45,777
July 27, 2021	0.75	300,000	4.16	300,000	177,000
July 27, 2021	0.75	20,000	4.16	15,000	11,600
July 27, 2021	0.75	240,000	4.16	240,000	136,800
March 30, 2022	0.75	120,000	4.83	120,000	45,600
		1,230,000	3.02	1,225,000	878,159

(i) On July 29, 2016, the Corporation granted certain members of its Board of Directors, officers and consultants options to purchase an aggregate of 620,000 common shares of the Corporation with such options being exercisable on or before the expiry of three or five years from the date of grant. These options vested immediately upon grant or over the next 12 months and are exercisable at a price that initially ranged from $1.00 to $2.0 per common share (see note (ii) for change in exercise price). The fair value of the stock options has been determined to be $354,040 using the Black-Scholes option pricing model based on the following assumptions: risk free interest rate of 0.65%, dividend yield of 0%, expected stock volatility of 172% and expected life of 3 or 5 years.

(ii) On March 31, 2017, the Corporation granted, to a member of its Board of Directors, options to purchase an aggregate of 120,000 common shares of the Corporation with such options being exercisable on or before the expiry of five years from the date of grant. These options vested immediately and are exercisable at a price of $0.75. The fair value of the stock options has been determined to be $45,600 using the Black-Scholes option pricing model based on the following assumptions: risk free interest rate of 1.06%, dividend yield of 0%, expected stock volatility of 148% and expected life of 5 years.

(Unaudited, Expressed in Canadian Dollars)

(iii) On February 28, 2017 at the Company's annual general meetings, the shareholders voted to approve the change in exercise price for the 1,130,000 outstanding options at that time, to $0.75. Reflected in the share based payment expense for the current period is an adjustment to reflect the fair value adjustment to these options as result of the change in exercise price.

7. Net loss per common share

The calculation of basic and diluted loss per share for the three months ended May 31, 2017 was based on the net loss attributable to common shareholders of $444,971 (May 31, 2016 - $1,288,216) and the weighted average number of common shares outstanding of 32,178,949 (May 31, 2016 – 29,014,007). For the nine months ended May 31, 2017, the calculation of basic and diluted loss per share was based on the loss attributable to common shareholders of $1,538,454 (May 31, 2016 - $5,746,474) and the weighted average number of common shares outstanding of 31,967,967 (May 31, 2016 – 27,679,320). Diluted loss per share did not include the effect of stock options and warrants as they are anti-dilutive.

8. Broker warrants

The following table reflects the continuity of broker warrants:

	Number of broker warrants	Grant date fair value ($)
Balance, August 31, 2015	76,400	75,025
Granted (note 5(b)(iii))	48,300	9,850
Balance, August 31, 2016	**124,700**	**84,875**
Granted (note 5(b)(iv))	23,100	12,960
Expired	(76,400)	(75,025)
May 31, 2017	**71,400**	**22,810**

The following table reflects the actual broker warrants issued and outstanding as of May 31, 2017:

Expiry date	Exercise price ($)(i)	Broker warrants outstanding	Grant date fair value ($)
May 5, 2019	0.75	48,300	9,850
September 8, 2019	0.75	23,100	12,960
		71,400	22,810

(i) See Warrants – Note 9(i) For change in exercise price.

9. Warrants

	Number of warrants	Grant date fair value, net of issuance costs ($)
Balance, August 31, 2015	18,634,207	5,383,750
Issued (notes 5(b)(i)(ii)(iii)	3,318,500	665,669
Balance, August 31, 2016	**21,952,707**	**6,049,419**
Issued (notes 5(b)(iv) (v))	927,905	453,035
Expired	(7,200,000)	(3,184,899)
Balance, May 31, 2017	**15,680,612**	**3,317,555**

(Unaudited, Expressed in Canadian Dollars)

The following table reflects the actual warrants issued and outstanding as of May 31, 2017:

Expiry date	**Exercise price(i) ($)**	**Warrants outstanding**	**Grant Date fair value, net of issuance costs ($)**
September 10, 2017	0.75	1,586,000	411,191
October 2, 2017	0.75	168,207	39,521
August 10, 2018	0.75	9,680,000	1,748,139
March 17, 2019	0.75	1,800,000	354,313
April 22, 2019	0.75	798,500	164,524
May 5, 2019	0.75	720,000	146,832
September 8, 2019	0.75	360,212	134,475
October 20, 2019	0.75	567,693	318,560
		15,680,612	3,317,555

(i) On February 28, 2017 at the Company's annual general meetings, the shareholders voted to approve the change in exercise price for the 15,680,612 outstanding warrants at that time, to $0.75. As a result, all exercise prices for outstanding warrants have been changed to $0.75.

The fair values of the warrants issued during the nine months ended May 31, 2017 and for the year ended August 31, 2016 were estimated using the Black-Scholes option pricing model with the following assumptions:

	May 31, 2017	**August 31, 2016**
Risk free interest rate	0.54 – 0.62%	0.52%
Expected dividend yield	Nil	Nil
Expected volatility	164%	139 - 140%
Expected life	3 years	3 years

Option pricing models require the input of subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the estimate of fair value, and therefore, use of Black-Scholes option pricing model may not provide a realistic measure of the fair value of the Company's warrants at the date of issue.

10. Related party balances and transactions

Related parties include the Board of Directors, officers, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions. In accordance with International Accounting Standards 24 Related Party Disclosure, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Corporation directly or indirectly, including any directors (executive and non-executive) of the Corporation.

The Corporation did not have any new transactions with related parties during the nine months ended May 31, 2017 and the year ended August 31, 2016, except for those noted in Note 5 (b) – Share Capital Transactions.

Remuneration of key management personnel of the Corporation was as follows:

		Nine months ended May 31, 2017		Nine months ended May 31, 2016
Short-term benefits	**$**	**185,250**	$	139,583
Share based payments	**$**	**45,600**	$	-
	$	**230,850**	$	139,583

(Unaudited, Expressed in Canadian Dollars)

As at May 31, 2017, the Company had a loan from a family member of management in the amount of seventy thousand dollars. The loan is unsecured, repayable in ninety days and earns interest of three percent per month. As at May 31, 2017, the Corporation owed key management personnel $84,036 (May 31, 2016 - $51,250) which is included in accounts payable and accrued liabilities.

11. Reserves

As of:		**May 31, 2017**		August 31, 2016
Warrants	**$**	**3,317,555**	$	6,049,419
Broker warrants		**22,810**		84,875
Contributed surplus		**6,995,266**		3,649,408
	$	**10,335,631**	$	9,783,702