



Lorraine Copper Corp. (TSX-V:LLC)
Suite 110 - 325 Howe Street, Vancouver, BC, Canada, V6C 1Z7
tel: 604-681-7913 fax: 604-681-9855 toll free: 888-656-6611
email: info@eastfieldgroup.com website: www.lorrainecopper.com

LORRAINE COPPER CORP.

Condensed Interim Financial Statements

August 31, 2017

(Unaudited)

(Expressed in Canadian Dollars)

| <u>Index</u> | <u>Page</u> |
|--|-------------|
| Condensed Interim Financial Statements | |
| Condensed Interim Statements of Financial Position | 3 |
| Condensed Interim Statements of Loss and Comprehensive Loss | 4 |
| Condensed Interim Statement of Changes in Shareholders' Equity | 5 |
| Condensed Interim Statements of Cash Flows | 6 |
| Notes to Interim Financial Statements | 7 – 13 |

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, 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 accompanying unaudited condensed interim financial statements of Lorraine Copper Corp. as at August 31, 2017 and 2016, notes to interim condensed financial statements and related Management Discussion and Analysis have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of the interim financial statements by an entity's auditor.

Lorraine Copper Corp.
Condensed Interim Statements of Financial Position
(Unaudited – Expressed in Canadian Dollars)

| | August 31, 2017 | February 28, 2017 |
|--|----------------------------|------------------------------|
| Assets | | |
| Current | | |
| Cash and cash equivalents | \$ 6,575 | \$ 46,817 |
| Accounts receivable | 4,774 | 2,066 |
| Prepaid expenses | 18,575 | 18,575 |
| | 29,924 | 67,458 |
| Receivable from a related party | 6,500 | 6,500 |
| Project Deposits | 64,000 | 64,000 |
| Exploration and evaluation assets (Note 6) | 4,189,687 | 4,138,545 |
| Equipment (Note 7) | 526 | 526 |
| | \$ 4,290,637 | \$ 4,277,029 |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 86,693 | \$ 22,451 |
| Payable to related parties (Note 9) | 5,335 | 7,500 |
| Other liability | | 8,228 |
| | 92,028 | 38,179 |
| Payable to Cariboo Rose Resources Ltd. (Note 9) | 12,000 | 12,000 |
| Promissory notes (Note 10) | 191,847 | 184,366 |
| | 295,875 | 234,545 |
| Shareholders' Equity | | |
| Share Capital (Note 8) | 6,340,235 | 6,340,235 |
| Warrants Reserve (Note 8) | 245,632 | 245,632 |
| Options Reserve | 389,839 | 363,239 |
| Deficit | (2,980,944) | (2,906,622) |
| | 3,994,762 | 4,042,484 |
| | \$ 4,290,637 | \$ 4,277,029 |

Nature and continuation of operations (Note 1)

Approved by the Board:

"Donald Sharp" Director
Donald Sharp

"James W. Morton" Director
James W. Morton

See notes to condensed interim financial statements.

Lorraine Copper Corp.
Condensed Interim Statements of Loss and Comprehensive Loss
(Unaudited – Expressed in Canadian Dollars)

| | For the Three Months Ended August 31 | | For the Six Months Ended August 31 | |
|---|---|---------------------|---------------------------------------|---------------------|
| | 2017 | 2016 | 2017 | 2016 |
| General and Administrative Expenses | | | | |
| Amortization | \$ - | \$ - | \$ - | \$ - |
| Bank Charges and Interest expense | 27 | 72 | 114 | 179 |
| Consulting | 2,596 | 3,892 | 6,605 | 7,337 |
| Investor relations | 4,516 | 3,901 | 6,616 | 6,823 |
| Professional fees | 8,431 | 15,331 | 12,181 | 19,081 |
| Office | 968 | 960 | 1,888 | 1,655 |
| Share-based compensation | - | - | 12,600 | - |
| Rent | 6,513 | 4,928 | 13,005 | 11,235 |
| Salaries and benefits | 4,244 | 3,872 | 8,498 | 8,220 |
| Telephone | 452 | 423 | 884 | 830 |
| Transfer and filing fees | 2,966 | 3,697 | 4,451 | 8,227 |
| Loss before the following | 30,713 | 37,076 | 66,841 | 63,587 |
| Other (Income) Expense | | | | |
| Interest Income | - | (6) | - | (6) |
| Interest Expense | 3,781 | 3,750 | 7,481 | 6,730 |
| Mineral property option proceeds | - | - | - | - |
| Net Loss and Comprehensive Loss | \$ 34,494 | \$ 40,820 | \$ 74,322 | \$ 70,311 |
| Loss Per Share, basic and fully diluted | \$ 0.001 | \$ 0.002 | \$ 0.002 | \$ 0.003 |
| Weighted Average Number of Common Shares Outstanding | 37,618,751 | 22,832,501 | 37,618,751 | 22,832,501 |
| Deficit, Beginning of Period | \$ 2,946,450 | \$ 2,260,343 | \$ 2,906,622 | \$ 2,230,852 |
| Net loss / (income) | 34,494 | 40,820 | 74,322 | 70,311 |
| Deficit, End of Period | \$ 2,980,944 | \$ 2,301,163 | \$ 2,980,944 | \$ 2,301,163 |

See notes to condensed interim financial statements.

Lorraine Copper Corp.
Condensed Interim Statement of Changes in Shareholders' Equity
(Unaudited – Expressed in Canadian Dollars)

| | Number of Common Shares | Amount | Warrants Reserve | Options Reserve | Deficit | Accumulated Other Comprehensive Income (Loss) | Total Equity |
|--|-------------------------------|--------------|---------------------|--------------------|----------------|--|--------------|
| Balance, February 29, 2016 | 22,832,501 | \$ 5,615,856 | \$ 130,538 | \$ 310,248 | \$ (2,230,852) | \$ - | \$ 3,825,790 |
| Issued for cash | | - | - | - | - | - | - |
| Private placement, net of issue cost | - | 97,562 | - | - | - | - | 97,562 |
| Other Comprehensive income (loss) | - | - | - | - | - | - | - |
| Share-based payments | | - | - | - | - | - | - |
| Net (loss) for period | - | - | - | - | (70,311) | - | (70,311) |
| Balance, August 31, 2016 | 22,832,501 | \$ 5,713,418 | \$ 130,538 | \$ 310,248 | \$ (2,301,163) | \$ - | \$ 3,853,041 |
| Issued for cash | | | | | | | |
| Private placement, net of issue cost | 7,086,250 | 168,317 | 115,094 | - | - | - | 283,411 |
| Sale of flow through tax benefits | - | (20,000) | - | - | - | - | (20,000) |
| Shares issued for acquisition of mineral property | 7,700,000 | 478,500 | - | - | - | - | 478,500 |
| Fair value assigned to warrants of private Placement | - | - | - | - | - | - | - |
| Share-based compensation | - | - | - | 52,991 | - | - | 52,991 |
| Net (loss) for period | - | - | - | - | (605,459) | - | (605,459) |
| Balance, February 28, 2017 | 37,618,751 | \$ 6,340,235 | \$ 245,632 | \$ 363,239 | \$ (2,906,622) | \$ - | \$ 4,042,484 |
| Issued for cash | | | | | | | |
| Private placement, net of issue cost | - | - | - | - | - | - | - |
| Other Comprehensive income (loss) | - | - | - | - | - | - | - |
| Share-based payments | - | - | - | 26,600 | - | - | 26,600 |
| Net (loss) for period | - | - | - | - | (74,322) | - | (74,322) |
| Balance, August 31, 2017 | 37,618,751 | \$ 6,340,235 | \$ 245,632 | \$ 389,839 | \$ (2,980,944) | \$ - | \$ 3,994,762 |

See notes to condensed interim financial statements.

Lorraine Copper Corp.
Condensed Interim Statement of Cash Flows
(Unaudited – Expressed in Canadian Dollars)

| | For the Six Months Ended August 31 | |
|---|---|------------------|
| | 2017 | 2016 |
| Cash provided by (used in) Operating Activities | | |
| Net Gain (Loss) | \$ (74,322) | \$ (70,311) |
| Items not affecting cash | | |
| Share-based compensation | - | - |
| | (74,322) | (70,311) |
| Changes in non-cash working capital | | |
| Accounts receivable | (2,708) | 1,069 |
| Investments – Short Term | - | - |
| Accounts payable and accrued liabilities | 69,558 | 46,202 |
| | (7,472) | (23,040) |
| Investing Activities | | |
| Computer software | - | - |
| Purchase of equipment | - | - |
| Mineral property option proceeds | - | - |
| Mineral property acquisition costs | - | - |
| Mineral properties written off | - | - |
| Expenditures on Mineral Properties | (51,142) | (8,060) |
| Project deposits | - | - |
| | (51,142) | (8,060) |
| Financing Activity | | |
| Shares issued for cash, net of issue costs | 18,372 | 97,562 |
| | (40,242) | 66,462 |
| (Decrease) Increase in Cash and Cash Equivalents | (40,242) | 66,462 |
| Cash and Cash Equivalents, Beginning of Period | 46,817 | 13,517 |
| Cash and Cash Equivalents, End of Period | \$ 6,575 | \$ 79,979 |

See notes to condensed interim financial statements

Lorraine Copper Corp.
Notes to Condensed Interim Financial Statements
For the Six Months Ended August 31, 2017
(Unaudited – Expressed in Canadian Dollars)

1. NATURE AND CONTINUATION OF OPERATIONS

Lorraine Copper Corp. (the “Company”) was incorporated in British Columbia, and the common shares are listed for trading on the TSX Venture Exchange – Tier Two: symbol: LLC. The Company is in the process of actively exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The Company is considered to be in the exploration stage and does not have operating cash flow. The Company’s head office and principal address is 110-325 Howe Street, Vancouver, British Columbia V6C 1Z7.

These interim financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The ability of the Company to fund its potential future operations and commitments is dependent upon the ability of the Company to obtain additional financing. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect the adjustments or reclassifications that would be necessary if the Company was unable to continue operations. Such adjustments and reclassifications could be material.

2. BASIS OF PREPARATION

These interim financial statements were authorized for issue on October 10, 2017 by the directors of the Company.

Statement of Compliance

These interim condensed financial statements for the Company’s reporting period ended August 31, 2017 have been prepared in accordance with and using accounting policies which are, without reservation, in full compliance with IAS 34 as issued by the International Accounting Standards Board (“IASB”) as required by National Instrument 52-107 sec. 3.2(1)(b)(ii) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), and as set out in the Handbook of the Chartered Professional Accountants of Canada (“CPA Handbook”).

Basis of Measurement

These interim condensed financial statements have been prepared on a historical cost basis, except for cash and cash equivalents and other financial instruments classified as fair value through profit or loss or available-for-sale that have been measured at fair value (Note 3), and are presented in Canadian dollars, the Company’s reporting currency and the functional currency of all of its operations.

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim financial statements have been prepared in accordance with IFRS, and reflect the accounting policies, which have been applied consistently with those of the previous financial year.

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company has classified its financial instruments as follows:

- Cash and cash equivalents as FVTPL
- Accounts receivable (excluding taxes receivable) as loans and receivables
- Deposits for reclamation as held-to-maturity
- Accounts payable and accrued liabilities and flow-through share premium as other financial liabilities.

The carrying values of cash and cash equivalents, accounts receivables and accounts payable (excluding due to related parties) approximate their fair values due to the short-term maturity of these financial instruments. The carrying value of reclamation deposits approximates fair value since amounts held earn interest at market rates. The fair value of amounts due to related

parties included in accounts payable and accrued liabilities have not been disclosed as their fair values cannot be reliably measured since there is no quoted market prices for such instruments. The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Credit risk refers to the potential that a counter party to a financial instrument will fail to discharge its contractual obligations and arises principally from the Company's holdings of cash and cash equivalents. The Company manages credit risk, in respect of cash and cash equivalents, by holding these at major Canadian financial institutions. In regards to accounts receivable, the Company is not exposed to significant credit risk. Concentration of credit risk exists with respect to the Company's cash as all amounts are held at a major Canadian financial institution.

| | August 31, 2017 | February 28, 2017 |
|---|-----------------|-------------------|
| Cash held in accounts with Bank of Montreal | \$ 6,575 | \$ 46,817 |

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company maintains sufficient cash at August 31, 2017 in the amount of \$6,575 along with anticipated receivables from the option of the Lustdust property and current receivables of \$4,774 in order to meet short-term liabilities. At August 31, 2017, the Company had accounts payable and accrued liabilities of \$92,028, which are expected to be paid within the next 90 days.

(c) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to interest rate and foreign currency risk as follows:

(i) Interest rate risk

The Company's cash held in bank accounts earns interest at variable interest rates. Due to the short-term nature of these financial instruments and the prevailing interest rate environment, fluctuations in market rates do not have a significant impact on estimated fair values as of August 31, 2017.

(ii) Foreign currency risk

The Company's operations are located in Canada with substantially all transactions denominated in Canadian dollars and, accordingly, the Company is not exposed to significant foreign currency risk.

5. CAPITAL MANAGEMENT

The Company's primary source of funds has been obtained through the issuance of capital stock. The Company does not use other sources of financing that require fixed payments of interest and principal and is not subject to any externally imposed capital requirements.

The Company defines its capital as all components of shareholders' equity. Capital requirements are determined by the Company's exploration activities on its mineral property interests and administrative overhead. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet strategic goals.

The Company periodically invests its capital in liquid investments to obtain returns that are considered reasonable under prevailing market conditions. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of capital stock, there can be no assurance that it will continue into the future.

6. **MINERAL PROPERTIES**

Acquisition and exploration expenditures incurred on mineral properties for the six months ended August 31, 2017 are as follows:

| | <u>Lorraine</u> | <u>Okeover</u> | <u>Lustdust</u> | <u>Total</u> |
|--|---------------------|-------------------|-------------------|---------------------|
| <u>Acquisition Costs</u> | | | | |
| Balance, beginning of period | \$ 4,861,975 | \$ 228,579 | \$ 352,500 | \$ 5,443,054 |
| Incurred during period | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Balance, end of period | <u>4,891,975</u> | <u>228,579</u> | <u>352,500</u> | <u>5,443,054</u> |
| <u>Exploration Expenditures</u> | | | | |
| Professional fees, field crews | - | 5,200 | 29,560 | 34,760 |
| Vehicle & Equipment rent | - | - | 2,054 | 2,054 |
| Geological | - | - | 8,558 | 8,558 |
| Transportation & fuel | - | - | 550 | 550 |
| Food & accommodation | - | - | 2,389 | 2,389 |
| Freight | - | - | 120 | 120 |
| Other | <u>-</u> | <u>14,000</u> | <u>-</u> | <u>14,000</u> |
| Total Expenditures for the period | <u>-</u> | <u>19,200</u> | <u>43,231</u> | <u>62,431</u> |
| Balance, beginning of the period | (1,391,530) | 70,561 | 16,460 | (1,304,509) |
| Written off during the period | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | <u>(1,391,530)</u> | <u>89,761</u> | <u>59,691</u> | <u>(1,242,078)</u> |
| <u>Option Proceeds</u> | | | | |
| Additions | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Balance, end of period | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Mineral Property (METC) | <u>-</u> | <u>-</u> | <u>(11,289)</u> | <u>(11,289)</u> |
| Impairment of mineral property | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Cumulative mineral property Costs | \$ <u>3,470,445</u> | \$ <u>318,340</u> | \$ <u>400,902</u> | \$ <u>4,189,687</u> |

Acquisition and exploration expenditures incurred on the mineral properties for the six months ended August 31, 2016 are as follows:

| | Lorraine | OK | Total |
|--|---------------------|------------------|---------------------|
| <u>Acquisition Costs</u> | | | |
| Balance, beginning of period | \$ 4,861,975 | \$ - | \$ 4,861,975 |
| Incurred during period | <u>-</u> | <u>40,000</u> | <u>40,000</u> |
| Balance, end of period | <u>4,861,975</u> | <u>40,000</u> | <u>4,901,975</u> |
| <u>Exploration Expenditures</u> | | | |
| Professional fees, field crews | 3,600 | 5,600 | 9,200 |
| Geological | 1,430 | - | 1,430 |
| Communication | <u>-</u> | <u>27</u> | <u>27</u> |
| Total Expenditures for the period | <u>5,030</u> | <u>5,627</u> | <u>10,657</u> |
| Balance, beginning of the period | 102,728 | - | 102,728 |
| Written off during the period | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | <u>107,758</u> | <u>5,627</u> | <u>113,385</u> |
| <u>Option Proceeds</u> | | | |
| Balance, beginning of period | - | - | - |
| Additions | <u>-</u> | <u>-</u> | <u>-</u> |
| Balance, end of period | <u>-</u> | <u>-</u> | <u>-</u> |
| Mineral Property (METC) | <u>(909)</u> | <u>(1,688)</u> | <u>(2,597)</u> |
| Impairment of mineral property | <u>(1,000,000)</u> | <u>-</u> | <u>(1,000,000)</u> |
| Cumulative mineral property Costs | \$ <u>3,968,824</u> | \$ <u>43,939</u> | \$ <u>4,012,763</u> |

Lorraine-Jajay Project, Omineca Mining Division, British Columbia

The Company acquired the Lorraine-Jajay mineral property through the plan of arrangement with Eastfield Resources Ltd. and Lysander Minerals Corporation. This property is subject to an option agreement with Teck Resources Limited (“Teck”). Teck earned a 51% joint venture interest in the property by completing \$9,000,000 of exploration expenditures by December 31, 2010. On January 28, 2011, Teck gave notice to the Company that it had earned in its 51% interest.

Teck and the Company entered into an agreement on November 26, 2015, pursuant to which the Company can earn a 100% interest in the Lorraine-Jajay mineral property by issuing Teck approximately 35.6 million common shares of the Company and granting various royalty and royalty buy-back rights. In order to close this agreement, the Company was required to complete financings totaling, in aggregate, \$2.0 million by February 28, 2016, settle the \$114,128 outstanding loan from Eastfield via the issuance of 2,282,560 common shares of the Company, complete a 2:1 share consolidation, and obtain shareholder approval of the foregoing conditions. The Company was unable to complete the closing transactions and the Lorraine project reverted to a joint venture of 51% Teck and 49% the Company.

Due to the prolonged depressed economic environment for mineral exploration stage companies and a delay in exploration and evaluation work on the mineral property interest, the Company performed a detailed review of impairment indicators during the year. Based on this review, the Company estimated the recoverable amount of its mineral property interest using the value in use methodology and determined that the carrying amount of the mineral property interest exceeded the estimated recoverable amount. An impairment estimate of \$500,000 was therefore recorded at February 28, 2017 (2016 - \$1,000,000). The value in use estimate was calculated using a discounted cash flow methodology, which included assumptions on future commodity prices, mineral reserves and resources identified from current exploration and evaluation activities, capital expenditures, operating costs, discount rates, future foreign exchange rates and future inflation rates.

OK Project, Vancouver Mining Division, British Columbia

On April 28, 2016, the Company entered into an agreement with a related company, Eastfield Resources Ltd., to acquire the Eastfield’s 40% interest in the OK (Okeover) copper molybdenum project located near Powell River on the southern British Columbia coast. Under the terms of the agreement the Company will pay \$40,000 to Eastfield and assume responsibilities to cover its proportionate share of assessment work requirements on the property. Eastfield will additionally be entitled to 20% of any option payments resulting from third party agreements with the project for a period of three years. The OK project consists of 17 mineral claims dating to 1966 encompassing 6,313 hectares. Central to the claims is a north-south trending zone of porphyry mineralization extending approximately 6.0 km. One of these zones, the North Lake Zone, hosts an NI 43-101 compliant inferred mineral resource of 86.8 million tonnes grading 0.31% copper and 0.014% Mos2 (0.009% Molybdenum) [N.C. Carter, P.Eng, 2006, filed on SEDAR].

During the previous year, the Company Closed an agreement with Prophecy Development Corp. to acquire Prophecy’s 60% interest in the OK property joint venture for issuing 2,200,000 shares (share issuance completed in September, 2016 for a value of \$176,000), assuming Prophecy’s debt to Eastfield Resources Ltd. of \$19,078 and by paying to Prophecy 30% of any option payments received with respect to the property arising from any agreements entered into for the next five years.

Lustdust Property, Omineca Mining Division, British Columbia

During the previous year, the Company closed an agreement with ALQ Gold Corporation (“ALQ”) to acquire a 100% interest in the Lustdust property located in the Omineca Mining Division approximately 140 km northwest of Fort St. James, British Columbia by incurring aggregate exploration expenditures of \$100,000 over the next year, paying \$50,000 and issuing 5,500,000 shares (payment and share issued completed in September, 2016 for a value of \$302,500). The 2017 exploration program and planned winter data compilation project are being completed in order to plan for a large drilling program in 2018.

On June 19, 2017, a letter of intent was signed with 1124245 B.C. Ltd. whereby 1124245 B.C. Ltd. has an option to purchase a 100% interest, subject to certain royalties and terms, in the Lustdust mineral property located in the Omineca Mining Division approximately 140 km northwest of Fort St. James, British Columbia. A formal agreement was subsequently signed on September 21, 2017.

To earn its interest in Lustdust, 1124245 B.C. Ltd. has made a \$50,000 cash payment to Lorraine Copper and will issue 500,000 shares of 1124245 B.C. Ltd. and will undertake a minimum \$500,000 expenditure on the property by December 31, 2017. Thereafter 1124245 B.C. Ltd. will make annual cash payments, share issuances and minimum annual property expenditures until a total of \$6,000,000 has been spent on the property before December 31, 2021. At that point 1124245 B.C. Ltd. will issue

sufficient shares to Lorraine Copper such that Lorraine will hold a 30% interest in 1124245 B.C. Ltd. Lorraine Copper will also retain a 2% NSR on precious metals and a 1% NSR on other metals which may be bought down by one-half each by the payment of \$1,500,000 per royalty to Lorraine Copper.

Lustdust is a carbonate replacement deposit (CRD) and related porphyry system that includes gold-silver-zinc mantos, gold silver rich copper skarn, limestone hosted gold, porphyry Cu-Mo (Au) and precious metal quartz-vein mineralization. In excess of 334 drill holes totalling over 74,000 meters have been completed. An initial resource was published in 2010 (R. Simpson, P.Geo: Technical Report; filed by Alpha Gold, now ALQ Resources), on a small area of the mineralized system known as the Copper Canyon Skarn. At a 1.5% Cu cut off the indicated resource is 910,000 tonnes grading 1.56% Cu, 1.68 g/t Au and 39.3 g/t Ag and the inferred resource is a further 1.96 million tonnes grading 1.34% Cu, 1.72 g/t Au and 32.1 g/t Ag. Geophysical surveys indicate a good potential for discovering additional skarn mineralization and magnetic and soil geochemical sampling suggest that the mineralizing system extends well beyond the known mineralized zones. The prospective area is in excess of 6 km in length and 4-5 km wide.

The Lustdust Property lies along the western border of Serengeti Resources Inc.'s Kwanika Creek copper-gold property (recently published a PEA). and is approximately 30 km south of Lorraine Copper's 49% owned Lorraine Property which is a joint venture with Teck Resources Limited.

7. EQUIPMENT

| | <u>Office Equipment</u> | <u>Computer Software</u> | <u>Total</u> |
|--|-----------------------------|------------------------------|---------------|
| COST | | | |
| Balance, February 28, 2017 | \$ 2,498 | \$ 228 | \$ 2,726 |
| Disposals | - | - | - |
| Balance, August 31, 2017 | 2,498 | 228 | 2,726 |
| ACCUMULATED AMORTIZATION | | | |
| Balance, February 28, 2017 | 1,992 | 208 | 2,200 |
| Amortization | - | - | - |
| Balance, August 31, 2017 | 1,992 | 208 | 2,200 |
| Net Book Value, August 31, 2017 | \$ 506 | \$ 20 | \$ 526 |

8. SHARE CAPITAL

Authorized

Unlimited common shares without par value Unlimited preferred shares without par value

During the year ended February 28, 2017, the Company completed a common share consolidation at a ratio of two existing common shares for one new common share.

A private placement was completed on November 3, 2016 for the issue of 4,723,500 units priced at \$0.06 per unit. Each unit comprised one common share and one share purchase warrant for the purchase of an additional share at a cost of \$0.10 per share for a term of two years from the date of issue.

Share Purchase Options

The Company issues options to directors, officers, and employees of the Company, and persons who provide ongoing services to the Company, under an incentive stock option plan. Under the plan, the Company has reserved up to 10% of issued share capital for the grant of options. Options will normally vest entirely at the date of grant for directors, officers and employees and at the rate of 25% on the date of the grant and 25% every three months thereafter for consultants. Options will expire no later than five years from the grant date, except that they will expire within thirty days when the holder is no longer qualified to hold the option (other than for cause, when the option will expire immediately).

Options were granted during the year to date for the purchase of 950,000 shares at a price of \$0.07 per share with an expiry date of May 16, 2027. . Common share purchase options outstanding during the year and as at August 31, 2017 were:

| | August 31, 2017 | |
|--------------------------------------|-------------------------|--|
| | Number of Shares | Weighted Average Exercise Price |
| Balance February 28, 2017 | 2,075,000 | \$ 0.06 |
| Granted | 950,000 | 0.10 |
| Expired | - | - |
| Balance, August 31, 2017 | 3,025,000 | 0.08 |
| Options exercisable, August 31, 2017 | 3,025,000 | \$ 0.08 |

The following options are outstanding at August 31, 2017:

| Expiry Date | Options Outstanding | | | Options Exercisable | |
|--------------------|----------------------------|----------------------------|--|----------------------------|----------------------------|
| | Number of shares | Exercise price (\$) | Weighted Average Remaining Life | Number of shares | Exercise price (\$) |
| 16-May-27 | 950,000 | \$ 0.07 | 9.9 | 950,000 | \$ 0.07 |
| 03-Nov-26 | 875,000 | \$ 0.06 | 9.5 | 875,000 | \$ 0.06 |
| 17-Jan-27 | 100,000 | \$ 0.10 | 9.8 | 100,000 | \$ 0.10 |
| 03-May-26 | 1,100,000 | 0.05 | 9.0 | 1,100,000 | 0.05 |
| | 3,025,000 | | 9.5 | 3,025,000 | |

Warrants

The following warrants are outstanding at August 31, 2017:

| Expiry Date | Warrants Outstanding | | Weighted Average Remaining Life |
|--------------------|-----------------------------|----------------------------|--|
| | Number of shares | Exercise price (\$) | |
| 10-Sep-19 | 1,000,000 | \$ 0.12 | 2.30 |
| 28-Oct-18 | 4,723,500 | \$ 0.10 | 1.40 |
| 26-May-21 | 2,000,000 | 0.05 | 4.00 |
| | 3,000,000 | | 2.10 |

The Company determines the fair value of the warrants granted using the Black-Scholes option pricing model. No warrants were granted during the quarter.

9. RELATED PARTY TRANSACTIONS

Related party transactions are recorded at the exchange amount as agreed to by the parties. During the quarter ended August 31, 2017 geological services totaling \$20,459 (year ended Feb. 28, 2017 - \$70,505) were provided to the Company by Mincord Exploration Consultants Ltd. ("Mincord"), a geological service company owned by two directors of the Company. Mincord's relationship with the Company is non-exclusive and without retainer, and is used on a project by project basis. Services provided include the hiring of field and professional personnel, rental of vehicular, camp and technical equipment, transportation and mobilization costs. Related party transactions are recorded at the exchange amount as agreed by the parties.

In the normal course of business, the Company enters into transactions with a related company, Eastfield Resources Ltd. ("Eastfield") for the use of equipment, services and rental of office space. The Company is related to Eastfield through common directors. At August 31, 2017, accounts payable to related parties were \$5,335 (February 28, 2017- \$7,500).

10. PROMISSORY NOTES

The Company borrowed, on December 15, 2013, the sum of \$100,000 from Eastfield Resources Ltd., a related company, secured by a loan agreement and promissory note. Following several additional loan draws and repayments, the balance payable on these notes, at August 31, 2017 is \$191,847. The promissory notes bear interest at a rate of 10% per annum, which is payable at the end of the term together with the principal.

11. SEGMENTED DISCLOSURES

The Company operates in one industry segment. Mineral properties and other capital assets are located in Canada and all exploration expenditures have been incurred in Canada.

12. SUBSEQUENT EVENTS

Subsequent to August 31, 2017, the Company signed a definitive option agreement with 1124245 B.C. Ltd. whereby 1124245 B.C. Ltd. has an option to purchase a 100% interest, subject to certain royalties and terms, in the Lustdust mineral property located in the Omineca Mining Division approximately 140 km northwest of Fort St. James, British Columbia.

Subsequent to August 31, 2017, the Company has received subscriptions of \$372,675 for a private placement of 4,140,833 units at a price of \$0.09 per unit. Each unit is comprised of one common share and one warrant for the purchase of an additional share at an exercise price of \$0.15 per share, subject to an acceleration clause.