COMMERCE RESOURCES CORP.

Financial Statements

October 31, 2016 and 2015

(Expressed in Canadian Dollars)

MNP LLP

Independent Auditors' Report

To the Shareholders of Commerce Resources Corp.:

We have audited the accompanying financial statements of Commerce Resources Corp., which comprise the statements of financial positions as at October 31, 2016 and 2015, the statements of operations and comprehensive loss, changes in equity and cash flows for the years then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Commerce Resources Corp. as at October 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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

MNP LLP

Vancouver, BC, Canada
February 24, 2017

Chartered Professional Accountants

Commerce Resources Corp.
Statements of Financial Position
As at October 31,
As expressed in Canadian dollars

		2016	2015
Assets			
Current			
Cash	$	**253,187**	5,342
Marketable securities		**25,767**	22,571
Short term investment (Note 5)		**76,500**	184,500
Amounts receivable		**-**	6,830
Mining tax receivable		**23,116**	27,731
GST/HST receivable		**78,714**	62,234
Prepaid expenses		**113,580**	116,595
		570,864	425,803
Prepaid expenses – non-current		**-**	65,000
Investment - asset-backed commercial paper (Note 6)		**5,471**	329,278
Equipment (Note 7)		**482,332**	514,845
Exploration and evaluation assets (Note 8 and Schedule I)		**60,255,060**	58,329,266
Reclamation bonds		**82,000**	82,000
	$	**61,395,727**	59,746,192
Liabilities			
Current			
Accounts payable and accrued liabilities (Note 15)	$	**1,422,704**	1,389,435
Due to related parties (Note 12)		**904,019**	778,990
Liability for flow-through shares (Note 15)		**215,704**	333,609
		2,542,427	2,502,034
Shareholders' Equity			
Share capital (Note 9)		**81,086,544**	78,307,911
Reserves		**8,455,888**	8,259,350
Accumulated other comprehensive income		**9,022**	309,629
Deficit		**(30,698,154)**	(29,632,732)
		58,853,300	57,244,158
	$	**61,395,727**	59,746,192

Approved and authorized by the Board of Directors on February 24, 2017:

"Christopher Grove" — Director

"David Hodge" — Director

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

Commerce Resources Corp.
Statements of Operations and Comprehensive Loss
For the years ended October 31,
As expressed in Canadian dollars

		2016		2015
Expenses				
Administration fees and rent (Note 11)	$	**645,720**	$	645,720
Advertising and website		**181,621**		390,519
Consulting fees		**158,433**		220,272
Filing and transfer agent fees		**60,412**		83,009
Insurance		**11,200**		12,052
Investor relations		**69,535**		87,785
Office, telephone and miscellaneous		**8,902**		31,323
Professional fees		**168,752**		262,486
Travel and promotion		**85,452**		198,280
Loss before other items		**(1,390,027)**		(1,931,446)
Other items:				
Interest income		**6,125**		49,387
Other expenses (Note 15)		**(234,418)**		-
Foreign exchange gains (losses)		**(3,307)**		23,361
Gain on disposition of asset backed commercial paper (Note 6)		**414,783**		9,204
Flow through share liability to shareholders (Note 15)		**(274,565)**		-
Impairment of exploration and evaluation assets (Note 7)		**-**		(1,447,744)
Permanent write-down of marketable securities		**-**		(322,703)
Loss on disposition of marketable securities		**-**		(18,897)
		(91,382)		(1,707,392)
Loss before income taxes		**(1,481,409)**		(3,638,838)
Deferred tax recovery (Note 16)		**415,987**		1,151,483
Net loss for the year		**(1,065,422)**		(2,487,355)
Other comprehensive income (loss) for the year				
Item that may be reclassified subsequently to profit or loss:				
Change in fair value of available-for-sale financial assets		**114,176**		325,433
Net comprehensive loss for the year	$	**(951,246)**	$	(2,161,922)
Basic and diluted loss per share	$	**(0.00)**	$	(0.01)
Weighted average number of common shares outstanding – basic and diluted		**240,258,643**		214,393,049

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

Commerce Resources Corp.

Statements of Changes in Equity
For the years ended October 31,
As expressed in Canadian dollars

	Number of Shares		Share Capital		Reserves		Accumulated Other Comprehensive Loss		Deficit		Total
Balance, October 31, 2014	**201,937,364**	**$**	**75,918,034**	**$**	**8,158,524**	**$**	**(15,804)**	**$**	**(27,145,377)**	**$**	**56,915,377**
Flow-through private placements	12,025,000		2,224,625		-		-		-		2,224,625
Private placements	2,500,000		462,500		37,500		-		-		500,000
Share issue costs	-		(297,248)		63,326		-		-		(233,922)
Change in fair value of available-for-sale financial assets	-		-		-		325,433		-		325,433
Net loss for the year	-		-		-		-		(2,487,355)		(2,487,355)
Balance, October 31, 2015	**216,462,364**	**$**	**78,307,911**	**$**	**8,259,350**	**$**	**309,629**	**$**	**(29,632,732)**	**$**	**57,244,158**
Flow-through private placements	23,747,921		1,907,748		-		-		-		1,907,748
Short-form private placement	19,298,665		1,350,907		96,493		-		-		1,447,400
Share issue costs	-		(480,022)		100,045		-		-		(379,977)
Change in fair value of available-for-sale financial assets	-		-		-		114,176		-		114,176
Disposition of asset backed commercial paper (Note 6)	-		-		-		(414,783)		-		(414,783)
Net loss for the year	-		-		-		-		(1,065,422)		(1,065,422)
Balance, October 31, 2016	**259,508,950**	**$**	**81,086,544**	**$**	**8,455,888**	**$**	**9,022**	**$**	**(30,698,154)**	**$**	**58,853,300**

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

Commerce Resources Corp.
Statements of Cash Flows
For the years ended October 31,
As expressed in Canadian dollars

	2016	2015
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Net (loss) for the year	**$ (1,065,422)**	$ (2,487,355)
Add (deduct) items not affecting cash:		
Loss on disposition of marketable securities	**-**	18,898
Deferred tax recovery	**(415,987)**	(1,151,483)
Gain on disposition of asset-backed commercial paper (Note 6)	**(414,783)**	(9,204)
Flow through share liability to shareholders (Note 15)	**274,565**	
Permanent write-down of marketable securities	**-**	322,703
Impairment of exploration and evaluation assets	**-**	1,447,744
	(1,621,627)	(1,858,697)
Changes in non-cash working capital items related to operations:		
Amounts receivable	**6,830**	43,581
Mining tax credits receivable	**4,615**	21,104
GST/HST receivable	**(16,480)**	(33,398)
Prepaid expenses	**68,015**	203,501
Due to related parties	**411,226**	609,617
Accounts payable and accrued liabilities	**79,062**	63,478
Net cash flows used in operating activities	**(1,068,360)**	(950,814)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of share capital, net of share issuance costs	**3,592,685**	3,272,329
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Redemption of Asset-backed commercial paper	**434,788**	9,745
Redemption of short-term investments	**108,000**	4,350,000
Proceeds from sale of marketable securities	**-**	6,102
Exploration and evaluation costs, net of tax credits received	**(2,819,268)**	(7,968,604)
Net cash flows used in investing activities	**(2,276,480)**	(3,602,757)
Increase (decrease) in cash	**247,845**	(1,281,242)
Cash, beginning of year	**5,342**	1,286,584
Cash, end of year	**$ 253,187**	$ 5,342

Supplemental disclosure with respect to cash flows – Note 14

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

1. NATURE OF OPERATIONS AND CONTINUANCE OF OPERATIONS

Commerce Resources Corp. ("Commerce" or the "Company") was incorporated on May 19, 1999, under the Company Act of British Columbia and is in the business of acquiring, exploring, developing and evaluating mineral resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. The Company is in the exploration stage and has interests in properties located in British Columbia ("BC") and Quebec, Canada. Commerce is a public company listed on Tier 1 of the TSX Venture Exchange in Canada ("CCE") and the Frankfurt Stock Exchange in Germany ("D7H"). The head office, principal address and registered and records office of the Company are located at 1450 – 789 West Pender, Vancouver, BC, Canada, V6C 1H2.

These financial statements were authorized for issue by the Audit Committee and Board of Directors on February 24, 2017.

The Company has no source of operating cash flows, has not yet achieved profitable operations, has a working capital deficit of $1,971,563 at October 31, 2016 (2015 - $2,076,231), has accumulated losses since its inception, expects to incur further losses in the development of its business and has no assurance that sufficient funding will be available to conduct further exploration of its mineral properties. These material uncertainties cast significant doubt about the Company's ability to continue as a going concern and, accordingly, the appropriateness of the use of generally accepted accounting principles applicable to a going concern. In recognition of these circumstances, management is pursuing various financial alternatives to fund the Company's exploration and development programs. There is no assurance that these initiatives will be successful.

In the future, the Company may raise additional financing through the issuance of share capital or shareholder loans, however, there can be no assurance that it will be successful in its efforts to do so and that the terms will be favourable to the Company. These financial statements do not include any adjustments to the carrying values of assets and liabilities, the reported expenses and statement of financial position classifications that might be necessary should the Company be unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Management is actively seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost-cutting measures. There can be no assurance that management's plan will be successful. If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral interests.

2. BASIS OF PRESENTATION

<u>Statement of Compliance</u>

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

<u>Basis of Measurement</u>

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Basis of Measurement - continued

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Estimates and assumptions

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

- The recoverability of the carrying value of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest;
- The accrued liability to indemnify shareholders for taxes and penalties related to the unspent portion of the commitment for the flow through shares issued;
- The inputs used in assessing the recoverability of deferred income tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income;
- Management's assumption that there are currently no decommissioning liabilities is based on the facts and circumstances that have existed during the periods; and
- The determination of fair value of asset-backed commercial paper based on numerous assumptions, including interest and market risk rates, and factors that are beyond the Company's control such as the ultimate settlement amounts, timing of settlement and changes in the credit ratings. The fair value of the asset-backed commercial paper is subject to uncertainty and it is reasonably possible that the recognized amount could change by a material amount in the near term.

Judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies from those involving estimations that have the most significant effect on the amounts recognized in the Company's financial statements are as follows:

- Economic recoverability and probability of future economic benefits of exploration, evaluation and development costs

  Management has determined that exploratory drilling, evaluation, development and related costs incurred which have been capitalized are economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic information, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

- Production stage of a mine

  The determination of the date on which a mine enters the production stage is a significant judgment since capitalization of certain costs ceases upon entering production.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - continued

Judgments - continued

- Provisions for reclamation

  Management assesses its provision for reclamation on an annual basis or when new information becomes available. This assessment includes the estimation of the future rehabilitation costs, the timing of these expenditures, and the impact of changes in discount rates. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and/or regulatory requirements in the future.

- Going concern

  The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.

4. SIGNIFICANT ACCOUNTING POLICIES

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

Foreign currency translation

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

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

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

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

Cash

Cash consists of amounts held in banks and cashable highly liquid investments with limited interest and credit risk.

Short-term investments

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

Marketable securities

Marketable securities consist of common shares of publicly-traded companies listed on the TSX Venture Exchange. Marketable securities are classified as available-for-sale and are recorded at their fair values using quoted market prices at the statement of financial position date. Subsequent revaluation resulting in unrealized gains or losses is recorded in the statements of operations and comprehensive income (loss).

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Exploration and evaluation costs

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

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

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

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

Reclamation bonds

Reclamation bonds are required by the Ministry of Natural Resources and are mostly represented by Guaranteed Interest Certificates ("GIC") held in the Company's name at a bank. The Company is entitled to interest on the GICs which is earned at an interest rate ranging from 0.60% to prime minus 2.1%. The reclamation bonds cannot be withdrawn by the Company without the consents of the Ministry of Natural Resources.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is calculated over the estimated useful lives using the following rates:

Field equipment	3 year straight-line
Field office building	5% declining balance
Leasehold improvements	12 year straight-line

Warrants

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

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for tax purposes by the investors who purchased the shares. While IFRS contains no specific guidance on accounting for flow-through shares, the Company has chosen to adopt the following accounting policy:

At the time of closing a financing involving flow-through shares, the Company allocates the gross proceeds received (i.e. the "flow-through commitment") as follows:

- Share capital – the fair market price at the date of the issue;
- Flow-through share premium – recorded as a liability and equal to the estimated premium, if any, investors pay for the flow-through feature, i.e. the portion in excess of the market value of the shares without the flow-through features at the time of issue; and
- Fair value of warrants – if warrants are being issued, based on the valuation derived using the residual method.

In the case that the Company does not issue non flow-through units together with the flow-through units, the flow-through share premium is determined by using the residual method, whereby the fair value of warrants will be valued based on the Black-Scholes option-pricing model, and the flow-through share premium equal to any residual balance after the fair market price of the common shares and fair value of warrants.

Therefore, as qualifying resource expenditures are incurred, these costs are capitalized to exploration and evaluation assets.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the "Look-back" Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

Mining tax credits and mining duties

Mining tax credits and mining duties are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits and mining duties. These refundable mining tax credits and mining duties are earned in respect to exploration costs incurred in BC and Quebec, Canada and are recorded as a reduction of the related deferred exploration expenditures. During the year ended October 31, 2016, the Company received a refund of $13,850 (2015: $21,104) for the BC mining tax credits and $Nil (2015: $Nil) for the Quebec mining tax credits.

Financial instruments

i. *Financial assets*

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

- Financial assets at fair value through profit or loss ("FVTPL")

  Financial assets at FVTPL are initially recognized at fair value with changes in fair value recorded through income. Cash and short term investment are included in this category of financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

- Held-to-maturity investments (“HTM”)
  HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs.

- Loans and receivables
  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost, less any impairment. Amounts receivable and reclamation bonds are included in this category of financial assets.

- Available-for-sale financial assets
  Available-for-sale (AFS) financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. AFS assets include investments in equities of other entities. Marketable securities and asset-backed commercial paper (“ABCP”) are included in this category of financial assets.

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

- Effective interest method
  The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

  Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as FVTPL.

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

  Objective evidence of impairment could include the following:

  - Significant financial difficulty of the issuer or counterparty;
  - Default or delinquency in interest or principal payments; or
  - It has become probable that the borrower will enter bankruptcy or financial reorganization.

  For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the financial asset’s original effective interest rate. The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

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

ii. Financial liabilities

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

- Borrowings and other financial liabilities
  Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the income statement over the period to maturity using the effective interest method. Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities and due to related parties.

- Derivative Financial liabilities
  Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit and loss.

Share-based payment transactions

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

The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period of the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

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

Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received.

Income taxes

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Income taxes - continued

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries and associates to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Share capital

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

Earnings (loss) per share

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

Related party transactions

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

Impairment of non-current assets

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of non-current assets - continued

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

Decommissioning liabilities

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Future Accounting Pronouncements

Pronouncements that are not applicable to the Company have not been included in these financial statements

IAS 1 - Presentation of Financial Statements
In December 2014, the International Accounting Standards Board (IASB) issued amendments to IAS 1, incorporated into Part I of the CPA Canada Handbook - Accounting by the Accounting Standards Board (AcSB) in April 2015. The amendments are part of the IASB's Disclosure Initiative to address some of the concerns expressed about existing presentation and disclosure requirements and to ensure entities are able to use judgment when preparing their financial statements. These amendments are effective for annual periods beginning on or after January 1, 2016. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 9 - Financial instruments ("IFRS 9")
In July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 (2014), incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in February 2015, as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This standard will replace IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 (2014) is effective for reporting periods beginning on or after January 1, 2018 with early adoption permitted (subject to local endorsement requirements). The extent of the impact of adoption of the standard has not yet been determined.

IAS 7 - Statement of Cash Flows (Amendment)
In January 2016, the International Accounting Standards Board (IASB) issued amendments to IAS 7 which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in April 2016. The amendments are part of the IASB's Disclosure Initiative to address some of the concerns expressed about existing presentation and disclosure requirements. The amendments require entities to provide disclosures that enable users of the financial statements to evaluate both cash flow and non-cash changes in liabilities arising from financing activities.

These amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted. The extent of the impact of adoption of the standard has not yet been determined.

IFRS 16 - Leases
On January 13, 2016, the International Accounting Standards Board published a new standard, IFRS 16, Leases, eliminating the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under the new standard, a lease becomes an on-balance sheet liability that attracts interest, together with a new right-of-use asset. In addition, lessees will recognize a front-loaded pattern of expense for most leases, even when cash rentals are constant. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted. The extent of the impact of adoption of the standard has not yet been determined.

Expressed in Canadian Dollars

5. SHORT TERM INVESTMENTS

At October 31, 2016, the Company had two guaranteed investment certificate ("GICs"), totaling $76,500 (2015: $184,500). Both GICs will mature within one year with an interest rate of prime less 2.1%.

6. INVESTMENTS IN ASSET-BACKED COMMERCIAL PAPER

As at October 31, 2016, the Company held asset-backed commercial paper ("ABCP") issued by a number of trusts with an original cost of $81,500 (2015: $770,463).

The valuation technique used by the Company to estimate the fair value of its investment in ABCP at October 31, 2016 and 2015, incorporates probability weighted discounted cash flows considering the best available public information regarding market conditions and other factors that a market participant would consider for such investments. The assumptions used in determining the estimated fair value reflect the details included in the Information Statement issued by the Pan-Canadian restructuring committee and the risks associated with the long-term floating rate notes.

The interest rates and maturities of the various long-term floating rate notes, discount rates and credit losses modeled are:

	October 31, 2016 and 2015
Probability weighted average interest	74.10%
Weighted average discount rate	15.00%
Maturity of long-term floating rate notes	1 years to 23 years
Credit losses	Rated notes: Nil to 30% Unrated notes: 20% to 100%

If these assumptions were to change, the fair value of ABCP could change significantly.

During the year ended October 31, 2016, the Company received payments from settlement of $434,788 (2015: $9,745) and recognized a gain on sale of ABCP of $414,783 (2015: $9,204). As at October 31, 2016, the fair value of the ABCP as determined above was $5,471 (2015: $329,278) and the Company recorded an unrealized loss of $1,332 (2015: gain $37,337) from this instrument.

Reconciliation of level 3 fair value measurements of ABCP is as follows:

October 31, 2014	$	292,482
Settlements		(541)
Unrealized gains in other comprehensive income		37,337
October 31, 2015		329,278
Settlements		(322,475)
Unrealized losses in other comprehensive income		(1,332)
October 31, 2016	$	5,471

Expressed in Canadian Dollars

7. EQUIPMENT

	Field Equipment	Field Office Building	Leasehold Improvements	Land	Total
Costs					
October 31, 2016 and 2015	**$ 316,931**	**$ 303,748**	**$ 255,796**	**$ 120,282**	**$ 996,757**
Accumulated Amortization					
October 31, 2014	$ 312,278	69,734	62,172	-	444,184
Additions	4,653	11,759	21,316	-	37,728
October 31, 2015	316,931	81,493	83,488	-	481,912
Additions	-	11,197	21,316	-	32,513
October 31, 2016	**$ 316,931**	**$ 92,690**	**$ 104,804**	**$ -**	**$ 514,425**
Net Book Value					
October 31, 2015	$ -	$ 222,255	$ 172,308	$ 120,282	$ 514,845
October 31, 2016	**$ -**	**$ 211,058**	**$ 150,992**	**$ 120,282**	**$ 482,332**

8. EXPLORATION AND EVALUATION ASSETS

The following is a description of the Company's most significant property interests and related spending commitments (see Schedule I for detail breakdown):

Blue River Claims – (formerly known as the Upper Fir, Verity and Fir Claims)

The Company has a 100% interest in its Blue River claims, located in the Blue River region of the Kamloops Mining District of B.C., Canada, all of which were acquired by staking.

Eldor Claims

The Company acquired, by staking and a purchase agreement, a 100% interest in the Eldor Carbonatite Complex, located in the Labrador Trough area of Quebec, Canada. During the year ended October 31, 2007, the Company purchased 8 mineral claims from Virginia Mines Inc. ("Virginia Mines"), which cover a portion of the Eldor Carbonatite. These claims are adjacent to the approximately 88 claims staked by the Company.

Virginia Mines retains a 1% net smelter royalty on the 8 claims purchased from them. As well, 5 of the 8 claims are subject to an underlying 5% net profit royalty, which can be purchased for $500,000.

During the year ended October 31, 2015, the Company determined that 167 claims in the outer regions of the Eldor Property would be lapsed and impaired the property accordingly by recording an impairment loss of $1,438,663.

Other Claims – British Columbia, Canada

Other claims consist of mineral claims located in B.C., Canada known as the Alan Parson and Carbo claims.

By September 23, 2011, Canadian International minerals Inc. ("CIN") acquired 100% interest in the Carbo Property. The Company will retain its 2% NSR royalty on the property.

8. EXPLORATION AND EVALUATION ASSETS - continued

Other Claims – Quebec, Canada

During the year ended October 31, 2013, the Company acquired, by staking, a 100% interest in the Lac Dupoisson Property, consisting of 57 claims, covering an area of 2,688 ha in the Labrador Trough. The 57 claims were lapsed in December 2014 and related costs of $9,081 were written off during the year ended October 31, 2015.

9. SHARE CAPITAL

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

b) Issued and outstanding:

The total issued and outstanding shares of the Company total 259,508,950 as at October 31, 2016 (2015: 216,462,364).

During the year ended October 31, 2016:

On November 27, 2015, the Company closed the first tranche of a non-brokered flow-through private placement for gross proceeds of $1,650,429. The Company issued 15,003,900 flow-through shares (“FT Shares”) at a price of $0.11 per FT Share. On December 24, 2015, the Company closed the second tranche for gross proceeds of $323,796. The Company issued 2,943,600 FT Shares at a price of $0.11 per FT Share. The Company paid a total of $116,793 and issued 1,061,750 agent’s warrants exercisable at $0.11 per warrant share for a period of two years to various finders. The agent’s warrants were valued at fair value of $46,033 (see Note 9d). The fair value of the shares at the date of issuance ranged from $0.075 to $0.085 where the exercise price is greater than the market price. The Company allocated $472,506 to liability for flow through shares from the issuance of FT Shares. The residual $28,031 of share issuance costs includes legal and filing expenses related directly to the private placement.

On June 30, 2016, the Company closed the first tranche of its short-form prospectus offering, raising gross proceeds of $1,169,900. The Company issued 15,598,665 units (“Units”) at a price of $0.075 per Unit. Each Unit consists of one common share and one common share purchase warrant (a “Warrant”). Each Warrant entitles the holder to purchase one common share for a price of $0.10 per common share expiring June 30, 2018. The Agents were paid a cash commission of $78,255 in connection with the Unit Offering and received an aggregate of 1,043,407 agent’s warrants to acquire up to 1,043,407 common shares at a price of $0.075 per common share expiring June 30, 2018. The agent’s warrants were valued at fair value of $34,805 (see Note 9d). The residual $70,693 of share issuance costs includes legal and filing expenses related directly to the short form financing.

On August 12, 2016, the Company closed the second tranche of its previously announced short-form prospectus offering, raising gross proceeds of $277,500 with Secutor Capital Management Corporation (the “Agent”) acting as agent for the Company with respect to the sale of 3,700,000 units (“Units”) of Commerce at a price of $0.075 per Unit. Each Unit consists of one common share and one common share purchase warrant (each, a “Warrant”). Each Warrant entitles the holder to purchase one common share for a price of $0.10 per common share expiring August 12, 2018. The Agents were paid a cash commission of $19,425 in connection with the second tranche of the Public Offering and received an aggregate of 259,000 broker warrants to acquire up to 259,000 common shares at a price of $0.075 per common share expiring August 12, 2018.

On August 12, 2016, the Company closed the Concurrent Private Placement, raising gross proceeds of $551,040. The company issued 5,800,421 flow-through shares at a price of $0.095 per common share. In connection with the Concurrent Private Placement, finders were paid a cash commission of $35,700 and received an aggregate of 375,789 finders’ warrants to acquire up to 375,789 common shares at a price of $0.095 per common share expiring August 12, 2018. The Company allocated $145,011. to liability for flow through shares from the issuance of FT Shares. All securities issued pursuant to the Concurrent Private Placement are subject to a four-month hold period and the Concurrent Private Placement has been effected with the conditional acceptance of the TSX Venture Exchange.

Expressed in Canadian Dollars

9. SHARE CAPITAL - continued

b) Issued and outstanding: - continued

During the year ended October 31, 2015:

On December 22, 2014, the Company closed a non-brokered private placement of 12,025,000 flow-through shares ("FT Shares") at a price of $0.25 per FT Share, and 2,500,000 units ("Units") at a price of $0.20 per Unit for gross proceeds of $3,506,250. Each Unit consists of one non flow-through common share and one-half of one non-flow-through common share purchase warrant in the capital of the Company ("Warrant"). One whole Warrant is exercisable into one additional common share in the capital of the Company (a "Warrant Share") at a price of $0.30 per Warrant Share until June 19, 2016. The fair value of the shares at the date of issuance was $0.185 where the exercise price is greater than the market price. The fair value of the Warrant is deemed to be $0.03 based on the residual method. As a result, the Company allocated $37,500 to reserves from the issuance of Units and $781,625 to liability for flow through shares from the issuance of FT Shares, respectively. All the securities issuable will be subject to a four-month hold period from the date of closing expiring April 20, 2015.

Secutor Capital Management Corporation acted as exclusive finder in connection with this private placement and was paid a cash commission of $217,500 plus expenses, and issued 725,000 finders' warrants (the "Finders Warrant") to acquire additional common shares of the Company ("Finders' Warrant Shares") exercisable at $0.24 per Finders' Warrant Share until June 19, 2016. The Finders Warrants were valued at fair value of $63,326. The fair value of these Finders Warrants was $0.09 per share, where the exercise price is greater than the market price at the date of grant and the fair value of each compensation option is calculated using the Black-Scholes pricing model assuming a risk-free interest rate of 1.02%, a dividend yield of nil, an expected volatility of 118.02% and an average expected life of 1.5 years. The residual $16,422 of share issuance costs includes legal and filing expenses related directly to the private placement.

c) Share purchase warrants:

The following is a summary of share purchase warrant transactions for the years ended October 31, 2016 and 2015:

	October 31, 2016		**October 31, 2015**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	6,058,550	$ 0.30	10,527,634	$ 0.33
Issued	19,298,665	0.10	1,250,000	0.30
Expired	(6,058,550)	0.30	(5,719,084)	0.35
Balance, end of year	19,298,665	$ 0.10	6,058,550	$ 0.30

Expressed in Canadian Dollars

9. SHARE CAPITAL - continued

c) Share purchase warrants: - continued

The following share purchase warrants were outstanding and exercisable as at October 31, 2016 and 2015:

Expiry Date	Weighted Average Contractual Life (Years)	Exercise Price	**October 31, 2016** Number of Warrants	**October 31, 2015** Number of Warrants
April 3, 2016	-	$0.30	-	4,283,550
April 10, 2016	-	$0.30	-	525,000
June 19, 2016	-	$0.30	-	1,250,000
June 30, 2018	1.66	$0.10	15,598,665	-
August 12, 2018	1.78	$0.10	3,700,000	-
Total Outstanding and Exercisable	1.69	$0.10	19,298,665	6,058,550

d) Agents' warrants:

The following is a summary of agents' warrant transactions for the years ended October 31, 2016 and 2015:

	October 31, 2016			**October 31, 2015**		
	Number of Agents' Warrants		Weighted Average Exercise Price	Number of Agents' Warrants		Weighted Average Exercise Price
Balance, beginning of year	1,767,502	$	0.24	1,042,502	$	0.24
Issued	2,739,946		0.09	725,000		0.24
Expired	(1,767,502)		0.24	-		-
Balance, end of year	2,739,946	$	0.09	1,767,502	$	0.24

The following agents' warrants were outstanding and exercisable as at October 31, 2016 and 2015:

Expiry Date	Weighted Average Remaining Contractual Life (Years)	Exercise Price	**October 31, 2016** Number of Agents' Warrants	**October 31, 2015** Number of Agents' Warrants
April 3, 2016	-	$0.24	-	1,016,252
April 10, 2016	-	$0.24	-	26,250
June 19, 2016	-	$0.24	-	725,000
November 27, 2017	1.07	$0.11	900,234	-
December 22, 2017	1.14	$0.11	34,116	-
December 24, 2017	1.15	$0.11	127,400	-
June 30, 2018	1.66	$0.075	1,043,407	-
August 12, 2018	1.78	$0.075	259,000	-
August 12, 2018	1.78	$0.095	375,789	-
Total Outstanding and Exercisable	1.47	$0.09	2,739,946	1,767,502

Expressed in Canadian Dollars

9. SHARE CAPITAL - continued

d) Agents' warrants: - continued

The Company applies the fair value method in accounting for its agents' warrants using the Black-Scholes pricing model. During the year ended October 31, 2016, the Company recorded $100,043 (2015: $63,326) in share issuance costs with the issuance of 2,739,946 (2015: 725,000) agents' warrants.

The amounts were determined using Black-Scholes option pricing model with the following assumptions:

	October 31, 2016	October 31, 2015
Expected dividend yield	Nil	Nil
Expected volatility	91-114%	118%
Risk free rate	0.49-0.63%	1.02%
Expected terms in years	2 years	1.5 years

10. SHARE-BASED PAYMENTS

The Company has a stock option plan for officers, directors, employees and consultants. Options are granted with an exercise price determined by the Board of Directors, which may not be less than 25% of the Company's stock price on the date of the grant. Options granted to directors, employees and consultants other than consultants engaged in investor relations activities will vest immediately. However, for options granted to employees and consultants engaged in investor relations activities will vest in stages over a minimum period of 12 months with no more than one-quarter of the options vesting in any three-month period.

The following is a summary of option transactions under the Company's stock option plan for the years ended October 31, 2016 and 2015:

	October 31, 2016		October 31, 2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	6,915,000	$ 0.38	7,971,908	$ 0.39
Expired/Cancelled	(3,085,000)	0.19	(1,056,908)	0.45
Balance, end of year	3,830,000	$ 0.15	6,915,000	$ 0.38

Expressed in Canadian Dollars

10. SHARE-BASED PAYMENTS - continued

The following stock options were outstanding and exercisable as at October 31, 2016:

Expiry Date	Original Exercise Price	Number of Shares	Contractual Life (Years)
February 8, 2018	$0.15	3,730,000	1.27
May 15, 2018	$0.10	100,000	1.54
Total Outstanding and Exercisable		3,830,000	1.28

The Company applies the fair value method in accounting for its stock options granted to directors, officers and employees by using the Black-Scholes pricing model.

11. COMMITMENTS

On May 1, 2008, the Company entered into a Management & Administration Agreement ("Agreement") with Zimtu Capital Corp. ("Zimtu"). Under the terms of the agreement, Zimtu will provide the Company with administrative and managerial services, including corporate maintenance, continuous disclosure services, rent, and office space, over a period of 12 months. The agreement was kept being renewed since then.

On December 1, 2015, the Company renewed the agreement for another period of 12 months for $53,810 per month.

12. RELATED PARTY TRANSACTIONS

During the year ended October 31, 2016 and 2015, the Company incurred the following transactions to officers or directors of the Company or companies with common directors:

	Year ended October 31, 2016 $	**2015 $**
Consulting fees to key management*	32,272	88,112
Geological services	961,344	2,928,689
Administrative fees	645,720	645,720
Advertising and promotion expenses	26,000	16,756
Total	1,665,336	3,679,277

Amounts due to (from) related parties	**October 31, 2016 $**	**October 31, 2015 $**
Dahrouge Geological Consulting (a)	387,407	694,198
Nimbus Resource Management (b)	-	2,016
Axel Hoppe, Director	20,594	21,306
Zimtu Capital Corp. (c)	496,018	61,470
Due to related parties – Net total	904,019	778,990

(a) A company controlled by a director of the Company, Jody Dahrouge.
(b) A company owned by a former director of the Company, Jenna Hardy. Ms. Hardy did not run for re-election at the Company's Annual General Meeting held on May 20, 2015, and ceased to be a director on that day.
(c) A company with common directors and management providing key management services.

12. RELATED PARTY TRANSACTIONS - continued

* Key management includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including the Company's executive officers and certain members of its Board of Directors.

The terms and conditions of these transactions with key management and their related parties were no more favourable than those available, or which might reasonably be expected to be available, or similar transactions to non-key management related entities on an arm's length basis.

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment.

13. FINANCIAL INSTRUMENTS

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein.

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash, short term investments, amounts receivable, due from related parties and investments in asset-backed commercial paper are subject to credit risk for a maximum of the amounts shown on the statements of financial position. The Company monitors its credit risk management practices continuously to evaluate their effectiveness.

At October 31, 2016, the Company held cash of $253,187 (2015: $5,342) and short term investments of $76,500 (2015: $184,500) with Canadian chartered banks. The Company also held asset-backed commercial paper fair valued at $5,471 (2015: $329,278).

The Company mitigates credit risk on these financial instruments by adhering to its investment policy that outlines credit risk parameters and concentration limits.

b) Liquidity Risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

As at October 31, 2016, the Company has total current liabilities of $2,542,427 (2015: 2,502,034). Management intends to meet the financial obligations by raising funds through future financings.

13. FINANCIAL INSTRUMENTS - continued

c) Market Risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. The Company's marketable securities and investment in asset-backed commercial paper are subject to market risk.

i) Currency Risk
Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. Although the Company is in the exploration stage and has not yet developed commercial mineral interests, the underlying commodity price for minerals is impacted by changes in the exchange rate between the Canadian and United States dollar. As all of the Company's transactions are denominated in Canadian dollars, the Company is not significantly exposed to foreign currency exchange risk at this time.

ii) Commodity Price Risk
Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar, as outlined above. As the Company has not yet developed commercial mineral interests, it is not exposed to commodity price risk at this time.

iii) Interest Rate Risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company invests part of the cash balance in a variable rate GIC. The exposure to interest rate risk, however, is limited due to the short-term nature of the GIC.

d) Fair Value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

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

The following is an analysis of the Company's financial assets measured at fair value as at October 31, 2016 and 2015:

	As at October 31, 2016		
	Level 1	**Level 2**	**Level 3**
Cash	$ 253,187	$ -	$ -
Short term investments	76,500	-	-
Marketable securities	25,767	-	-
Asset-backed commercial paper	-	-	5,471
	$ 355,454	$ -	$ 5,471

Expressed in Canadian Dollars

13. FINANCIAL INSTRUMENTS – continued

d) Fair Value - continued

	As at October 31, 2015					
	Level 1		Level 2		Level 3	
Cash	$	5,342	$	-	$	-
Short term investments		184,500		-		-
Marketable securities		22,571		-		-
Asset-backed commercial paper		-		-		329,278
	$	212,413	$	-	$	329,278

Level 3 financial assets consist of the following investments in ABCP including Master Asset Vehicle II ("MAV II") notes and Ineligible Asset Tracking notes as at October 31, 2016 and 2015:

	October 31, 2016			October 31, 2015		
	Face value	Fair value variances	Fair value	Face value	Fair value variances	Fair value
MAV II Notes	$	$	$	$	$	$
Class B	-	-	-	353,772	(57,888)	295,884
Class C	-	-	-	233,913	(215,167)	18,746
	-	-	-	587,685	(273,055)	314,630
Ineligible Asset						
Tracking Notes	81,500	(76,029)	5,471	182,778	(168,130)	14,648
	81,500	(76,029)	5,471	770,463	(441,185)	329,278

The MAV II notes received as a result of the restructuring of third party sponsored ABCP by the Pan-Canadian Investors Committee in January 2009 include a pooling of leveraged investments as well as traditional assets and cash. The leveraged investments are subject to a potential requirement post additional collateral based on certain triggers being met (a margin call). Traditional assets are un-levered investments and include residential and commercial mortgage backed securities, corporate credit and cash equivalents. Class A-1, Class A-2 and Class B Notes will bear interest at the Bankers' Acceptance ("BA") rate less 0.50% and Class C Notes will bear interests at the BA rate plus 20%.

The IA Tracking Notes will bear interest at a rate based on the net rate of return generated by the underlying tracking assets. The maturities of the notes are based on the maturities of the underlying assets. These notes will not be rated.

The Company is aware of a number of trades in the restructured notes that have occurred prior to October 31, 2016, but does not consider them to constitute an active market. Accordingly, the Company has not used these trades to determine the fair value of its notes. As described in Note 6, the Company has used a probability weighted discounted cash flows approach to determine the fair value of these investments, incorporating available information regarding market conditions as at the measurement date, October 31, 2016 and 2015. These estimates arrived at by the Company are subject to measurement uncertainty and are dependent on market conditions as at the measurement date.

If an active market for the restructured notes were to develop in the future, the Company would change its valuation technique to determine the fair value of its notes using quoted market prices.

13. FINANCIAL INSTRUMENTS – continued

e) Capital Management

Capital is comprised of the Company's shareholders' equity and any debt it may issue. As at October 31, 2016, the Company's shareholders' equity was $58,853,300 (2015: $57,244,158). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which will allow it to pursue the exploration of its mineral properties. Therefore, the Company monitors the level of risk incurred in its mineral property expenditures relative to its capital structure which is comprised of working capital and shareholders' equity.

The Company monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to facilitate the management of capital and the exploration of its mineral properties, the Company prepares annual expenditure budgets which are updated as necessary and are reviewed and periodically approved by the Company's Board of Directors. To maintain or adjust the capital structure, the Company may issue new equity if available on favourable terms, option its mineral properties for cash and/or expenditure commitments from optionees, enter into joint venture arrangements, or dispose of mineral properties.

14. NON-CASH TRANSACTIONS

The following transactions have been excluded from the statement of cash flows:

During the year ended October 31, 2016:

- Exploration and evaluation assets of $559,571 were included in accounts payable and $408,001 were included in due to related parties.
- Amortization of $32,513 relating to equipment was included in exploration and evaluation assets.
- 2,739,946 agents' warrants valued at $100,043 granted to the Agents were included in share issuance costs.

During the year ended October 31, 2015:

- Exploration and evaluation assets of $1,219,955 were included in accounts payable and $694,198 were included in due to related parties at October 31, 2015.
- Amortization of $37,728 relating to equipment was included in exploration and evaluation assets.
- 725,000 agents' warrants valued at $63,326 granted to the Agents were included in share issuance costs.

15. LIABILITY AND INCOME TAX EFFECT ON FLOW-THOUGH SHARES

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds, less the qualified expenditures made to date, represent the funds received from flow-through share issuances that have not been spent.

On March 14, 2014, the Company issued 8,425,652 units on a flow-through basis at $0.23 per share (see Note 12b) for proceeds of $1,937,900, and recognized a liability on flow-through shares of $252,770. At October 31, 2014, the Company has incurred $1,464,048 of qualified expenditures resulting in the reversal of liability on flow-through shares and recorded the related net deferred tax effect of $190,963. All proceeds have been fully spent and renounced as at December 31, 2015.

On October 3, 2014, the Company issued 16,041,500 shares on a flow-through basis at $0.25 per share (see Note 12b) for gross proceeds of $4,010,375, and recognized a liability on flow-through shares of $641,660. All proceeds have been fully spent and renounced as at December 31, 2015.

Expressed in Canadian Dollars

15. LIABILITY AND INCOME TAX EFFECT ON FLOW-THOUGH SHARES - continued

On December 22, 2014, the Company issued 12,025,000 shares on a flow-through basis at $0.25 per share (see Note 9b) for gross proceeds of $3,006,250, and recognized a liability on flow-through shares of $781,625. The flow-through proceeds were renounced under the Look-back Rule on December 31, 2014. As at December 31, 2015, the Company has incurred $1,738,192 (October 31, 2015 - $1,667,710) of qualified expenditures resulting in the reversal of liability on flow-through shares and recorded the related net deferred tax effect of $14,174 during the year ended October 31, 2016 (2015 - $448,016). As the Company had unfulfilled CEE obligations of $1,268,058 at December 31, 2015, as a result of unspent flow-through proceeds related to this flow through issuance, the Company incurred Part XII.6 tax and related penalties and interest of $234,418 which was recorded in other expenses for the year ended October 31, 2016. Furthermore, the Company may also have to indemnify shareholders for taxes and penalties related to the unspent portion of the commitment of up to $594,000, calculated based upon a combined tax rate of 43.7% of unspent flow-through funds raised. The Company has recognized the liability in accrued liabilities. The outcome of the amount of actual claims and penalties, if any, is contingent on assessments by the Canada Revenue Agency and Revenue Quebec.

In November and December 2015, the Company issued 17,947,500 shares in two tranches on a flow-through basis at $0.11 per share (see Note 9b) for proceeds of $1,974,225, and recognized a liability on flow-through shares of $472,506. At October 31, 2016, the Company has incurred $1,678,856 of qualified expenditures. The flow-through proceeds were renounced under the Look-back Rule on December 31, 2015.

On August 12, 2016, the Company issued 5,800,421 shares on a flow-through basis at $0.095 per share (see Note 12b) for proceeds of $551,040, and recognized a liability on flow-through shares of $145,011. At October 31, 2016, the Company has incurred $nil of qualified expenditures. The flow-through proceeds will be renounced under the Look-back Rule on December 31, 2016.

	Issued on March 14, 2014	Issued on October 3, 2014	Issued on December 22, 2014	Issued in Nov/Dec 2015	Issued on August 12, 2016	Total
Balance, October 31, 2014	$ 61,807	$ 641,660	$ -	$ -	$ -	$ 703,467
Liability incurred on flow-through shares issued	-	-	781,625	-	-	781,625
Settlement of flow-through share liability on incurring expenses	(61,807)	(641,660)	(448,016)	-	-	(1,151,483)
Balance, October 31, 2015	-	-	333,609	-	-	333,609
Liability incurred on flow-through shares issued	-	-	-	472,506	145,011	617,517
Transfer FT liability to accrued liabilities	-	-	(319,435)	-	-	(319,435)
Settlement of flow-through share liability on incurring expenses	-	-	(14,174)	(401,813)	-	(415,987)
Balance, October 31, 2016	$ -	$ -	$ -	$ 70,693	$ 145,011	$ 215,704

Expressed in Canadian Dollars

16. CORPORATE INCOME TAXES

The following table reconciles the expected income taxes expense (recovery) at the Canadian federal and provincial income rates to the amounts recognized in the statements of operations and comprehensive loss for the years ended October 31, 2016 and 2015:

		2016		2015
Income (Loss) before taxes	**$**	**(1,481,408)**	$	(3,638,838)
Statutory tax rate		**26%**		**26%**
Expected income tax expense		**(385,166)**		(946,098)
Non-deductible items		**(39,337)**		13,544
Change in estimates		**779,312**		35,756
Flow-through share premium		**43,654**		462,432
Gain on disposal of assets and other income		**(124,682)**		(75,575)
Other comprehensive income item		**(37,770)**		355
Expiry of non-capital losses		**-**		87,472
Non-refundable ITC		**-**		(627,840)
Change in deferred tax asset not recognized		**(651,998)**		(87,117)
Deferred tax recovery	**$**	**(415,987)**	$	(1,137,072)
Current income tax expense (recovery)	**$**	**-**	$	-
Deferred tax expense (recovery)		**(415,987)**		(1,137,072)
	$	**(415,987)**	$	(1,137,072)

Details of deferred tax assets (liabilities) are as follows:

		2016		2015
Deferred tax assets (liabilities)				
Non-capital loss carry forward	**$**	**5,962,105**	$	4,767,837
Exploration and evaluation assets		**(5,962,105)**		(4,767,837)
Deferred tax assets (liabilities)		-		**-**

The Company has $3,217,092 of Investment Tax Credits ("ITCs") that are available to reduce future taxes payable. The ITCs will expire in the 2030 - 2037 tax years.

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their corresponding values for tax purposes. The unrecognized deductible temporary differences are as follows:

		2016		2015
Fixed assets	**$**	**411,255**	$	378,743
Asset backed commercial paper (ABCP) OCI		**168,654**		541,200
Marketable securities		**318,617**		321,813
Financing costs		**953,445**		894,660
Capital losses		**1,420,797**		1,299,652
Non-capital losses		**8,618,405**		8,736,471
Investment tax credits		**3,217,092**		3,844,781
Unrecognized deductible temporary differences	**$**	**15,108,265**	$	16,017,320

Expressed in Canadian Dollars

16. CORPORATE INCOME TAXES - continued

As at October 31, 2016, the Company has not recognized a deferred tax asset in respect of non-capital losses of $8,383,987 which may be carried forward to apply against future year's taxable income for Canadian tax purposes, subject to final determination by taxation authorities and expiring as follows:

Year	Amount
2034	1,136,771
2035	5,153,657
2036	2,327,977
	$ 8,618,405

The deferred tax assets have not been recognized because at this stage of the Company's development, it is not determinable that future taxable profit will be available against which the Company can utilize such deferred tax assets.

17. SUBSEQUENT EVENTS

On February 16, 2017, the Company completed a non-brokered private placement financing (the "Financing") of 34,350,450 units (a "Unit"), at a price of $0.05 per Unit, for gross proceeds of $1,717,522.50. Each Unit consists of one common share of the Company (each, a "Share") and one share purchase warrant (each, a "Warrant"). Each Warrant is exercisable into one additional Share at a price of $0.075 per Share in the first year after issuance and at $0.10 per Share in the second year after issuance. The net proceeds from the Offering will be primarily used for the completion of the Company's pilot plant, the production of representative samples of Rare Earth Element concentrates, and fluorite concentrate for delivery to interested parties, and for general working capital. The Company paid cash finders fees of $12,950 and issued 259,000 share purchase warrants (the "Finder's Warrants") to two finders in connection with certain subscriptions in the Financing. The Finder's Warrants have the same terms as the Warrants. The securities issued under the Financing, and the Shares that may be issuable on exercise of the Warrants and the Finder's Warrants, are subject to a statutory hold period expiring on June 17, 2017.

Commerce Resources Corp. Schedule I

Schedule of Resource Properties
For the year ended October 31, 2016
Expressed in Canadian dollars

	Blue River Claims	Eldor Claims	Other Claims	Totals
Acquisition costs				
Balance, beginning of year	$ 201,602	$ 1,270,558	$ 211,580	$ 1,683,740
Staking	-	30,041	-	30,041
Balance, end of the year	201,602	1,300,599	211,580	1,713,781
Deferred exploration and development costs				
Balance, beginning of year	27,633,433	29,217,785	(205,692)	56,645,526
Amortization – field equipment and office	11,197	-	-	11,197
Assays and analytical	-	82,618	-	82,618
Drilling	-	241,900	-	241,900
Engineering	3,960	-	-	3,960
Environmental and permitting	2,627	2,986	-	5,613
Field equipment rental	22,817	89,835	-	112,652
Field supplies	270	44,019	-	44,289
Food and accommodation	13,878	38,390	-	52,268
Fuel	-	3,061	-	3,061
Geology, mapping and drafting	2,385	783,579	-	785,964
Insurance	5,684	8,528	-	14,212
Other	39,500	303	-	39,803
Project management	3,710	-	-	3,710
Travel and transport	982	502,759	-	503,741
	107,010	1,797,978	-	1,904,988
Mining tax credits	(9,235)	-	-	(9,235)
Balance, end of year	27,731,208	31,015,763	(205,692)	58,541,279
Total balance, end of year	$ 27,932,810	$ 32,316,362	$ 5,888	$ 60,255,060

Commerce Resources Corp.
Schedule of Resource Properties
For the year ended October 31, 2015
Expressed in Canadian dollars

Schedule I
Continued

	Blue River Claims	Eldor Claims	Other Claims	Totals
Acquisition costs				
Balance, beginning of year	$ 201,602	$ 1,270,237	$ 211,580	$ 1,683,419
Staking	-	321	-	321
Balance, end of the year	201,602	1,270,558	211,580	1,683,740
Deferred exploration and development costs				
Balance, beginning of year	27,518,172	21,773,706	(196,611)	49,095,267
Amortization – field equipment and office	13,849	2,562	-	16,411
Assays and analytical	-	399,405	-	399,405
Community	455	-	-	455
Drilling	-	681,566	-	681,566
Engineering	2,638	321,011	-	323,649
Environmental and permitting	4,216	388	-	4,640
Field equipment rental	20,716	306,167	-	326,883
Field supplies	-	366,043	-	366,043
Food and accommodation	12,744	123,409	-	136,153
Fuel	-	230,372	-	230,372
Geology, mapping and drafting	2,388	2,164,804	-	2,167,192
Geophysics	-	11,094	-	11,094
Insurance	7,042	18,668	-	25,710
Metallurgy	-	2,722,552	-	2,722,552
Other	38,856	1,401	-	40,257
Project management	16,792	-	-	16,792
Road and site preparation	4,106	-	-	4,106
Travel and transport	-	1,533,300	-	1,533,300
	123,802	8,882,742	-	9,006,544
Mining tax credits	(8,541)	-	-	(8,541)
Impairment	-	(1,438,663)	(9,081)	(1,447,744)
Balance, end of year	27,633,433	29,217,795	(205,692)	56,645,526
Total balance, end of year	$ 27,835,035	$ 30,488,343	$ 5,888	$ 58,329,266