

RENFORTH RESOURCES INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(Expressed in Canadian Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Renforth Resources Inc.

We have audited the accompanying financial statements of Renforth Resources Inc., which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of loss and comprehensive loss, statements of cash flows and statements of changes in equity for the years then ended, and 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's 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 Renforth Resources Inc. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company had continuing losses during the year ended December 31, 2016 and a working capital deficiency as at December 31, 2015. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

UHY McGovern Hurley LLP



Chartered Professional Accountants
Licensed Public Accountants

TORONTO, Canada
May 1, 2017

RENFORTH RESOURCES INC.**Statements of Financial Position**

(Expressed in Canadian dollars)

	As at December 31, 2016	As at December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents (<i>note 5</i>)	\$ 16,906	\$ 59,338
Sales tax and refundable tax credits receivable	62,531	73,588
Prepaid expenses and deposits	-	2,687
Total current assets	79,437	135,613
Non-current assets		
Exploration and evaluation assets (<i>notes 6 and 7</i>)	2,721,122	2,412,703
TOTAL ASSETS	\$ 2,800,559	\$ 2,548,316
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (<i>notes 6 and 7</i>)	\$ 335,957	\$ 218,737
Deferred flow through share premium	-	4,000
Total liabilities	335,957	222,737
Equity		
Share capital (<i>note 8 (b)</i>)	12,433,562	12,183,169
Warrant reserve (<i>note 8 (c)</i>)	143,201	127,102
Contributed surplus	1,837,042	1,706,505
Accumulated deficit	(11,949,203)	(11,691,197)
Total equity	2,464,602	2,325,579
TOTAL LIABILITIES AND EQUITY	\$ 2,800,559	\$ 2,548,316

Going concern (*note 1*)**Commitments and contingencies** (*notes 6 and 12*)*The accompanying notes are an integral part of these financial statements.*

Approved by the Board

Signed:

“Nicole Brewster”, Director

Signed:

“Wally Rudensky”, Director

RENFORTH RESOURCES INC.

Statements of Loss and Comprehensive Loss

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

	2016	2015
Expenses		
General and corporate (<i>notes 7 and 14</i>)	\$ 156,477	\$ 181,888
Share based payments (<i>note 8(d)</i>)	110,529	22,369
Loss before other items	\$ (267,006)	\$ (204,257)
Other items		
Other income	4,000	17,575
Gain on settlement of debt (<i>notes 6 and 7</i>)	5,000	183,850
Net loss and comprehensive loss for the year	\$ (258,006)	\$ (2,832)
Basic and diluted loss per share (<i>note 9</i>)	\$ (0.00)	\$ (0.00)

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

RENFORTH RESOURCES INC.**Statements of Cash Flows**

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

	2016	2015
Cash flow from operating activities		
Net loss for the year	\$ (258,006)	\$ (2,832)
Items not affecting cash:		
Share based payments	110,529	22,369
Gain on settlement of debt	(5,000)	(183,850)
Other income	(4,000)	(17,575)
Shares issued for services	-	3,225
	(156,477)	(178,663)
Changes in non-cash working capital:		
Sales tax and refundable tax credits receivable	(50,804)	6,888
Accounts payable and accrued liabilities	160,644	71,233
Prepaid expenses and deposits	2,687	2,632
Total cash flows from operating activities	(43,950)	(97,910)
Cash flow from investing activities		
Additions to exploration and evaluation assets	(144,343)	(306,807)
Quebec input tax credits recovered	61,861	93,131
Total cash flows from investing activities	(82,482)	(213,676)
Cash flow from financing activities		
Issue of common shares	47,893	169,770
Issue of warrants	36,107	87,730
Share issue costs	-	(2,100)
Total cash flows from financing activities	84,000	255,400
(Decrease) in cash and cash equivalents	(42,432)	(56,186)
Cash and cash equivalents, beginning of year	59,338	115,524
Cash and cash equivalents, end of year (note 5)	\$ 16,906	\$ 59,338

*Supplemental information (note 13)**The accompanying notes are an integral part of these financial statements.*

RENFORTH RESOURCES INC.

Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(Expressed in Canadian dollars)

	Share capital	Share capital	Contributed surplus	Warrant reserve	Deficit	Total
	#	\$	\$	\$	\$	\$
Balance, December 31, 2014	47,616,672	11,626,424	1,669,297	30,005	(11,688,365)	1,637,361
Share based payments	-	-	22,369	-	-	22,369
Shares and warrants issued on property purchase agreement	11,350,000	339,000	-	24,206	-	363,206
Shares issued under private placement	5,150,000	257,500	-	-	-	257,500
Share issue costs	-	(2,299)	-	199	-	(2,100)
Valuation of warrants issued under private placement	-	(87,531)	-	87,531	-	-
Expiry of warrants	-	-	14,839	(14,839)	-	-
Shares issued for services rendered	64,500	3,225	-	-	-	3,225
Flow through share premium	-	(4,000)	-	-	-	(4,000)
Shares issued on settlement of debt	3,390,000	50,850	-	-	-	50,850
Net loss and comprehensive loss for the year	-	-	-	-	(2,832)	(2,832)
Balance, December 31, 2015	67,571,172	12,183,169	1,706,505	127,102	(11,691,197)	2,325,579
Share based payments	-	-	110,529	-	-	110,529
Shares and warrants issued on property purchase agreement	6,200,000	202,500	-	-	-	202,500
Shares issued under private placement	1,680,000	84,000	-	-	-	84,000
Valuation of warrants issued under private placement	-	(36,107)	-	36,107	-	-
Expiry of warrants	-	-	20,008	(20,008)	-	-
Net loss and comprehensive loss for the year	-	-	-	-	(258,006)	(258,006)
Balance, December 31, 2016	75,451,172	12,433,562	1,837,042	143,201	(11,949,203)	2,464,602

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

RENFORTH RESOURCES INC.

Notes to Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian dollars)

1. NATURE OF BUSINESS AND GOING CONCERN

Nature of business

Renforth Resources Inc. (the “Company” or “Renforth”), was incorporated in Canada under the Business Corporations Act (Ontario) and carries on business in one segment, being the acquisition, exploration and development of mineral properties in Canada. The Company’s registered and head office is located at 65 Front Street East, Suite 304, Toronto, Ontario M5E 1B5.

These financial statements were approved by the board on May 1, 2017.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration and evaluation assets and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. The amounts shown as exploration and evaluation assets do not necessarily represent present or future values. Changes in future conditions could require material write-downs to the carrying values of the Company's assets.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, First Nations claims, unregistered prior agreements, social licensing requirements, unregistered claims, and non-compliance with regulatory and environmental requirements. The Company may also be subject to increases in taxes and royalties, renegotiation of contracts and political uncertainties. The Company is currently negotiating terms of its option agreements regarding the Parbec Gold Property.

Going concern assumption

These financial statements are prepared in accordance with International Financial Reporting Standards with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations in the foreseeable future.

The recoverability of the costs incurred to date on exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Changes in future conditions could require material write-downs to the carrying value of the exploration and evaluation assets. Such adjustments could be material. Management is aware, in making its assessment of material uncertainties related to events or conditions that cast significant doubt upon the entity’s ability to continue as a going concern. The Company has incurred a net loss of \$258,006 for the year ended December 31, 2016 (2015 - \$2,832) and has an accumulated deficit of \$11,949,203 (2015 - \$11,691,197) and a working capital deficiency of \$256,520 (2015 - \$87,124).

RENFORTH RESOURCES INC.

Notes to Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

Basis of presentation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

These financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective for the Company's reporting date.

Functional currency

The presentation currency of the Company and the functional currency of the Company is the Canadian dollar.

Critical judgments and estimation uncertainties

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

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

- Assets' carrying values and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

- Capitalization of exploration and evaluation costs

Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 6 for details of capitalized exploration and evaluation costs.

- Impairment of exploration and evaluation assets

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future cash flows expected to be derived from the Company's properties, costs to sell the properties and the appropriate discount rate.

RENFORTH RESOURCES INC.

Notes to Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian dollars)

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

Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

- Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

- Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

- Contingences (note 12)

RENFORTH RESOURCES INC.

Notes to Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

Exploration and evaluation assets

The Company's properties are in the exploration and evaluation stage and accordingly the Company follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all proceeds received for farm-out arrangements or recovery of costs against the cost of the related claims. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves. The aggregate costs related to abandoned mineral claims are charged to operations at the time of any abandonment or when it has been determined that there is evidence of an impairment. An impairment charge relating to an exploration and evaluation asset is subsequently reversed when new exploration results or actual or potential proceeds on sale or farm out of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount.

Upon transfer of "Exploration and evaluation assets" into "Mine Development", all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized within "Mine development". After production starts, all assets included in "Mine development" are transferred to "Producing Mines".

All capitalized exploration and evaluation asset expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration and evaluation asset expenditures are not expected to be recovered, it is charged to the results of operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is planned.

Quebec refundable tax credit and refundable mining duty

The Company is entitled to a credit on duties refundable under the Mining Duties Act. This credit on duties on exploration costs incurred in the Province of Quebec has been recognized as an exploration and evaluation asset recovery on the statements of financial position.

Furthermore, the Company is entitled to a refundable tax credit on qualified expenditures incurred. The refundable tax credit for exploration expenditures is 28% of qualified expenditures incurred.

The Company estimates the benefits to be recognized from refundable tax credits relating to qualified expenditures incurred. These receivables are recognized to the extent that it is probable that the Company has met all eligibility requirements for the expenditures in the period they are incurred. The Company presents these credits as exploration and evaluation asset recoveries on the statements of financial position.

RENFORTH RESOURCES INC.

Notes to Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Decommissioning, restoration and environmental rehabilitation

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising for 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 value of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market based discount rate and the 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.

As at December 31, 2016 and 2015, the Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

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 items recognized directly in equity, in which case it is recognized in equity.

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

Deferred tax is recorded using the asset and liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not-deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a future tax asset will be recovered, the tax asset is not recognized.

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.

Flow-through shares

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the Company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. For accounting purposes, the proceeds from issuance of these shares are allocated between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the price of a non-flow through share and the amount the investor pays for the flow-through share. A liability is recognized for this difference. The liability is reduced and the reduction of premium liability is recorded in other income at the time when the Company files the appropriate renunciation forms with the Canadian taxation authorities.

RENFORTH RESOURCES INC.

Notes to Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

A deferred tax liability is recognized, in accordance with IAS 12, *Income Taxes*, for the taxable temporary difference that arises from the difference between the carrying amount of eligible expenditures capitalized as an asset in the statement of financial position and its tax base.

The Company indemnifies subscribers of flow-through shares for any tax related amounts that become due as a result of the Company not meeting its flow-through share related obligations.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks and short term deposits with original maturities of three months or less. The deposits are held in a Canadian chartered bank or financial institution.

Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding. Diluted loss per share assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings per share calculation.

During the years ended December 31, 2016 and 2015, all issued and outstanding warrants and options were anti-dilutive and were excluded from the diluted loss per share calculations.

Share-based payments

The Company has a stock option plan (the "Plan") which is discussed in note 8(d). The Company uses the fair value-based method of accounting for stock-based compensation arrangements. The fair value of each option granted is accounted for in operations over the vesting period of the option using the Black-Scholes option pricing model at the date of grant, with the related increase to contributed surplus. Upon exercise of the stock options, the consideration paid, together with the amount previously recognized in contributed surplus, is recorded as an increase in share capital. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Foreign currency translation

The functional and reporting currency of the Company is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of transactions. At each financial position reporting date, monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the Canadian dollar at the exchange rate at that date. Foreign exchange differences arising on translation are recognized in net loss. Non-monetary assets and liabilities that are measured at historical cost are translated using the exchange rate at the date of the transaction.

RENFORTH RESOURCES INC.

Notes to Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

At each financial position reporting date, non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable. If any such indication is present, the recoverable amount of the asset is estimated in order to determine whether impairment exists. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount is reduced to the recoverable amount. Impairment is recognized immediately as additional depreciation. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount but only to the extent that this does not exceed the carrying value that would have been determined if no impairment had previously been recognized. A reversal is recognized as a reduction in the depreciation charge for the period.

Share issue costs

Costs incurred for the issue of common shares are deducted from share capital.

Financial Instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

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

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

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

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

RENFORTH RESOURCES INC.

Notes to Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of loss.

Other financial liabilities: This category includes promissory notes, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash and cash equivalents	Loans and receivables
Financial liabilities:	Classification:
Accounts payable and accrued liabilities	Other financial liabilities

Recently-Adopted Accounting Pronouncements and Recent accounting pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2017 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9, Financial Instruments ("IFRS 9") was updated and re-issued by the IASB on July 24, 2014 and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 2 Share based payments, the amendments, which were developed through the IFRS Interpretations Committee, provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The effective date is for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

IAS 7 Statement of Cash Flows, the amendment states that it is required to provide disclosure of information that enables the users of the financial statements to evaluate the changes in liabilities arising from financing activities, whether changes relating to cash flows or changes not relating to cash flows. The amendment shall be applied by way of prospective application for annual reporting periods beginning on January 1, 2017 or thereafter.

RENFORTH RESOURCES INC.

Notes to Financial Statements

December 31, 2016 and 2015

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

4. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The capital of the Company consists of share capital, warrants, contributed surplus and options. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration and evaluation stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's capital management objectives, policies and processes have remained unchanged during the years ended December 31, 2016 and 2015.

The Company is not subject to any externally imposed capital requirements.

5. CASH AND CASH EQUIVALENTS

	As at December 31, 2016	As at December 31, 2015
Cash in bank	\$ 16,906	\$ 59,338

Cash and cash equivalents earn interest based on market rates applicable to each form of interest bearing instrument. Cash is deposited at a reputable financial institution in Canada. The fair value of cash and cash equivalents approximates the values disclosed in this note.

RENFORTH RESOURCES INC.

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(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSETS

	New Alger	Nixon Bartelman	Parbec	Malartic West	Total
Acquisition costs					
December 31, 2014	\$ 651,500	\$ -	\$ -	\$ -	\$ 651,500
Additions	215,285	40,000	30,000	114,206	399,491
December 31, 2015	866,785	40,000	30,000	114,206	1,050,991
Additions	27,500	90,000	80,000	-	197,500
December 31, 2016	\$ 894,285	\$ 130,000	\$ 110,000	\$ 114,206	\$ 1,248,491

Exploration					
December 31, 2014	\$ 1,189,178	\$ 25,999	\$ -	\$ -	\$ 1,215,177
Exploration and other geological	181,853	-	121,555	-	303,408
Quebec input tax credit	(131,336)	-	(25,537)	-	(156,873)
December 31, 2015	1,239,695	25,999	96,018	-	1,361,712
Exploration and other geological	63,774	-	89,611	-	153,385
Quebec tax credit	(15,436)	-	(27,030)	-	(42,466)
December 31, 2016	\$ 1,288,033	\$ 25,999	\$ 158,599	\$ -	\$ 1,472,631

Carrying amounts					
December 31, 2015	2,106,480	65,999	126,018	114,206	2,412,703
December 31, 2016	\$ 2,182,318	\$ 155,999	\$ 268,599	\$ 114,206	\$ 2,721,122

New Alger Gold Project

On January 28, 2013, Renforth entered into an agreement (the "Purchase Agreement") with Cadillac Ventures Inc. ("Cadillac") to acquire a 100% interest in Cadillac's New Alger Property, located in Cadillac Township, Québec. The Purchase Agreement supersedes previous agreements.

The Purchase Agreement provides for the payment to Cadillac of the following: (i) \$20,000 cash and 2,000,000 common shares of Renforth at the time of signing the agreement (paid and common shares issued), (ii) \$210,000 cash by June 15, 2013 and (iii) \$250,000 cash by November 15, 2013. Upon satisfaction of the foregoing conditions, Renforth will acquire a 100% interest in the property, subject to an existing 1% net smelter return royalty ("NSR") and Cadillac will retain an additional 1% NSR.

On September 30, 2013, Renforth and Cadillac signed an agreement whereby Cadillac agreed to accept common shares in lieu of the June 15, 2013 cash payment at an agreed price of \$0.05. On October 24, 2013, Renforth issued 4,200,000 common shares to Cadillac, valued at \$168,000 based on the fair value of common shares at the date of issuance.

On February 1, 2014, Renforth and Cadillac agreed to settle the final payment through quarterly instalments of \$15,000 (commencing February 2014), with the balance of \$190,000 payable February 2015. In consideration for the restructuring of the payment, Renforth agreed to pay an additional fee of \$10,000 payable February 2015. On December 2, 2014, Renforth and Cadillac made an amendment to the February 1, 2014 agreement whereby Renforth will continue to make quarterly instalments of \$15,000, with the balance payable November 2015. On May 20, 2015, a further amendment was made whereby Renforth will continue to make quarterly payments of \$15,000 which will apply against the balance due. The first payment was due on signing the amendment, followed by quarterly payments due: August 1, November 1, February 1, and the balance due May 2016. As at December 31, 2016, \$nil (2015 - \$110,000) is payable to Cadillac and is included in accounts payable and accrued liabilities.

RENFORTH RESOURCES INC.

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6. EXPLORATION AND EVALUATION ASSETS (continued)

On August 11, 2016, the Company and Cadillac entered in to an agreement whereby, Renforth made a final payment to Cadillac of \$10,000 and 2,000,000 common shares of Renforth as full settlement of the amount owing under the New Alger Purchase Agreement. This settlement resulted in a gain of \$5,000.

On February 18, 2014, the Company acquired the option to acquire certain properties on the western boundary of Renforth's New Alger project.

The acquisition was subject to several terms and conditions, including the following:

- 1- Renforth shall issue to the vendor 200,000 common shares of Renforth (issued February 14, 2014);
- 2- Upon or before the date which is 12 months from the signing of the agreement Renforth shall carry out \$20,000 in exploratory work on the property, issue to the vendor 100,000 (issued February 18, 2015) Renforth common shares and pay the vendor \$10,000 (paid February 24, 2015), to acquire a 25% interest in the property;
- 3- Upon or before the date which is 24 months from the signing of the agreement Renforth shall carry out \$30,000 in work on the Property, issue to the vendor 250,000 (issued May 25, 2016) Renforth common shares and pay the vendor \$15,000, to earn an additional 30% interest in the Property;
- 4- Upon or before the date which is 36 months from the signing of the agreement Renforth shall carry out \$50,000 in work on the Property, issue to the vendor 250,000 common shares of Renforth and pay the vendor \$25,000 in cash, to earn Renforth the final 45% interest in the Property.

On September 14, 2016 the Company entered into an agreement to acquire 100% of the properties for the following terms:

- issue 450,000 shares (issued September 21, 2016)
- pay \$10,000 prior to January 2017¹
- pay nominal expenses associated with renewal fees
- issue a 1% NSR to the option holder (purchasable for \$1,000,000)

- (1) The Company has not met the cash payment to date. The vendor has agreed to extend the cash payment to a future date.

On August 4, 2015, the Company acquired 50 claims adjacent to the New Alger project (the "Bonchamp Claims"). In consideration for these claims, the Company issued 4,000,000 common shares valued at \$0.05 per share based on the quoted market price on the date of issuance.

During the year ended December 31, 2016, the Company recovered \$61,861 (2015 - \$93,131) from Revenu Quebec for the fiscal year ended December 31, 2015. These refundable mining tax credits were recorded as a reduction to exploration and evaluation assets. The Company also accrued \$15,436 (2015 - \$38,205) for credits related to 2016 expenditures.

Nixon Bartleman Property

On August 4, 2014, Renforth entered into an option agreement to earn a 55% interest in the Nixon-Bartleman Property located in the West Timmins Mining Area, in the western part of the Porcupine Mining Camp.

On April 28, 2016, Renforth negotiated a 100% purchase of the Nixon Bartleman property, subject to a pre-existing 2% NSR, for total consideration of 3 million shares of Renforth and the issuance of an additional 0.5% NSR to the vendor. This purchase replaces the prior option held on the property.

RENFORTH RESOURCES INC.

Notes to Financial Statements

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6. EXPLORATION AND EVALUATION ASSETS (continued)

Parbec Gold Project

On January 29, 2015, the Company entered into a letter of intent to acquire 100% of the Parbec Gold Property ("Parbec") from Globex Mining Enterprises Inc. ("Globex") under the following terms.

- 1) over 4 years make cash payments totaling \$550,000 (\$25,000 within 6 months of signing (paid), \$50,000 within 12 months (paid), \$25,000 within 18 months (paid), \$125,000 within 24 months, \$125,000 within 36 months, and \$200,000 within 48 months);
- 2) over 4 years incur \$4,000,000 in work costs on the property (\$350,000 in year one¹, \$500,000 by the end of year 2¹, \$1,150,000 by the end of year three, and \$2,000,000 by the end of year four);
- 3) over 4 years issue a total of 2,000,000 shares to Globex (250,000 on signing (issued), 500,000 before the end of year one (issued), 500,000 before the end of year two¹, 500,000 before the end of year three, 250,000 before the end of year four shares issued).
- 4) Globex retains a gross metal royalty on the property of between 1% and 2% (percentage calculated in relationship to the prevailing price of gold at the time of delivery).

(1) The Company has not met the work and the share issuance requirements to date. The vendor has agreed to extend the work and share issuance requirements to a future date.

The Company accrued \$27,030 (2015 - \$25,537) of refundable mining tax credits from Revenu Quebec for the fiscal year ended December 31, 2016. These refundable mining tax credits were recorded as a reduction to exploration and evaluation assets.

Malartic West

On November 6, 2015, the Company acquired 100% of the Malartic West Property. The Malartic West Property, acquired from Knick Exploration for total consideration of 4,000,000 shares of Renforth, is located west of Renforth's Parbec Property, contiguous to the Canadian Malartic Mine property. The property is subject to a 2% NSR and a 2% Gross Overriding Receipts royalty on all diamonds extracted. There is a right to buy back one per cent of the royalty for \$1,000,000.

On November 27, 2015, the Company acquired additional claims adjacent to, and also named, the Malartic West Property for total consideration of 2,000,000 shares of Renforth and 2,000,000 common share purchase warrants exercisable for a period of 2 years at a price of \$0.05.

7. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Compensation of key management personnel

Key management includes members of the board of directors, the President and Chief Executive Officer and the Chief Financial Officer. The aggregate value of transactions relating to key management personnel and entities over which they have control or significant influence were as follows for the years ended December 31, 2016 and December 31, 2015:

	2016	2015
Salary or other short term benefits	\$ 180,000	\$ 180,000
Share based payments issued	80,100	22,369
	\$ 260,100	\$ 202,369

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Notes to Financial Statements

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7. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Other related party balances and transactions

The Company engages Billiken Management Services Inc. and Minroc Management Limited (“Billiken”), geological consulting companies, to manage the Company’s exploration programs. The Company’s CEO, Nicole Brewster, is a shareholder of Billiken. For the year ended December 31, 2016, the Company was charged \$52,315 (2015 - \$177,304) in exploration related expenditures, and \$120,000 (2015 - \$120,000) in management fees for the CEO, of which \$90,000 (2015 - \$90,000) was capitalized and recorded in exploration and evaluation assets and \$30,000 (2015 - \$30,000) was charged to general and corporate expense on the statement of loss. The Company also rents office space from Billiken. During the year ended December 31, 2016, the Company was charged \$6,375 (2015 - \$6,375) for office rent. On August 7, 2015, the Company settled debt with Billiken in the amount of \$155,600 by the issuance of 2,260,000 common shares. The shares had a market value of \$33,900 (\$0.015 per share), and therefore resulted in a gain on settlement of \$121,700. As at December 31, 2016, \$187,470 (2015 - \$33,012) was owed to Billiken. This amount is unsecured, non-interest bearing with no fixed terms of repayment.

During the year ended December 31, 2016, the Company was charged \$60,000 (2015 - \$60,000) in management fees by a company owned by the Chief Financial Officer of the Company, for CFO services. As at December 31, 2016, \$96,050 (2015 - \$28,250) is owing to this officer and included in accounts payable. This amount is unsecured, non-interest bearing with no fixed terms of repayment. On August 7, 2015, the Company settled debt in the amount of \$79,100 owing to the CFO by the issuance of 1,130,000 common shares at \$0.015 per share (the market value of the shares on the settlement date). The shares had a market value of \$16,950 (\$0.015 per share), and therefore resulted in a gain on settlement of \$62,150.

RENFORTH RESOURCES INC.

Notes to Financial Statements

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8. SHARE CAPITAL

a) Shares authorized

The Company is authorized to issue an unlimited number of preferred and common shares without nominal or par value. No preferred shares have been issued.

b) Common shares issued and outstanding

Details of shares issued and outstanding are as follows:

	Shares	Amount
Balance, December 31, 2014	47,616,672	\$ 11,626,424
Shares issued in accordance with purchase agreement (i)	100,000	4,000
Shares issued in accordance with purchase agreement (ii)	1,000,000	40,000
Shares issued in accordance with purchase agreement (iii)	250,000	5,000
Shares issued under private placement (iv)	2,600,000	130,000
Valuation of warrants (iv)	-	(56,837)
Shares issued under private placement (v)	400,000	20,000
Valuation of warrants (v)	-	(4,842)
Share issue costs (v)	-	(2,299)
Flow through share premium	-	(4,000)
Shares issued on settlement of debt	3,390,000	50,850
Shares issued in accordance with property agreement (vii)	2,000,000	30,000
Shares issued in accordance with property agreement (vii)	4,000,000	60,000
Shares issued in accordance with property agreement (viii)	4,000,000	200,000
Shares issued for services	64,500	3,225
Shares issued under private placement (vi)	2,150,000	107,500
Valuation of warrants	-	(25,852)
Balance, December 31, 2015	67,571,172	12,183,169
Shares issued in accordance with Parbec option agreement (note 6)	500,000	5,000
Shares issued under private placement (ix)	520,000	26,000
Valuation of warrants (ix)	-	(11,556)
Shares issued in accordance with Nixon Bartleman agreement (note 6)	3,000,000	90,000
Shares issued in accordance with New Alger agreement (note 6)	250,000	5,000
Shares issued under private placement (x)	360,000	18,000
Valuation of warrants (x)	-	(7,642)
Shares issued under private placement (xi)	520,000	26,000
Valuation of warrants (xi)	-	(11,556)
Shares issued under private placement (xiv)	280,000	14,000
Valuation of warrants (xiv)	-	(5,353)
Shares issued in accordance with New Alger agreement (note 6) (xii)	2,000,000	80,000
Shares issued in accordance with New Alger claim agreement (note 6) (xiii)	450,000	22,500
Balance, December 31, 2016	75,451,172	\$ 12,433,562

RENFORTH RESOURCES INC.

Notes to Financial Statements

December 31, 2016 and 2015

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8. SHARE CAPITAL (continued)

- (i) In accordance with the New Alger property agreement, on February 18, 2015, Renforth issued 100,000 common shares at \$0.04 per share, based on the fair value of common shares at the date of issuance (see note 6).
- (ii) In accordance with the Nixon Bartleman option agreement, on February 18, 2015, Renforth issued 1,000,000 common shares at \$0.04 per share, based on the fair value of common shares at the date of issuance (note 6).
- (iii) In accordance with the option agreement on the Parbec Gold Project, on February 26, 2015, Renforth issued 250,000 common shares at \$0.02 per share, based on the fair value of common shares at the date of issuance (note 6).
- (iv) On March 10, 2015, the Company closed a private placement financing for gross proceeds of \$130,000 through the issuance of 2,600,000 units at \$0.05 per unit. Each unit consisted of one common share and one common share purchase warrant. Each common warrant entitles the holder to purchase one common share in the capital of the Company at a price of \$0.07 for a period of 24 months following closing.

The warrants were assigned a value of \$56,837 using the Black Scholes option pricing model using the following assumptions: risk free interest rate 0.60%; expected volatility 209%; expected dividend yield of 0% and an expected life of two years. Expected volatility was based on the historical volatility of other comparable listed companies

- (v) On June 1, 2015, the Company closed a private placement financing for gross proceeds of \$20,000 through the issuance of 400,000 units at \$0.05 per unit. Each unit consisted of one flow through common share and one-half common share purchase warrant. Each common warrant entitles the holder to purchase one common share in the capital of the Company at a price of \$0.09 for a period of 18 months following closing.

The warrants were assigned a value of \$4,842 using the Black Scholes option pricing model using the following assumptions: risk free interest rate 0.56%; expected volatility 220%; expected dividend yield of 0% and an expected life of 18 months. Expected volatility was based on the historical volatility of other comparable listed companies

In connection with the offering, the Company incurred a cash fee of \$1,600 and issued 24,000 finders warrants for services rendered to the Company in respect of the offering. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.07 for a period of 2 years from the date of issue. The warrants were assigned a total value of \$199 using the Black Scholes option pricing model using the following assumptions: risk free interest rate 0.56%; expected volatility 209%; expected dividend yield of 0% and an expected life of two years. Expected volatility was based on the historical volatility of other comparable listed companies. The Company incurred other costs of \$500 in connection with the offering.

- (vi) On December 31, 2015, the Company closed the second and final tranche of a non-brokered private placement financing raising gross proceeds of \$107,500 through the issuance of 215 units at \$500 per unit.

Each unit consisted of 1,200 common shares of the Company, 8,800 common shares of the Company issued on a "flow-through" basis and 4,400 common share purchase warrants.

Each warrant entitled the holder to purchase one common share at \$0.10 per share for a period of 2 years following the date of issuance. These warrants were assigned a value of \$25,852 using the Black Scholes option pricing model using the following assumptions: risk free interest rate 0.48%; expected volatility of 225%; expected dividend yield of 0% and an expected life of two years. Expected volatility was based on the historical volatility of other comparable listed companies.

RENFORTH RESOURCES INC.

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8. SHARE CAPITAL (continued)

- (vii) In accordance with the Malartic West property purchase, Renforth issued 6,000,000 common shares at \$0.015 per share based on the fair market value of the common shares at the date of issuance (note 6) and 2,000,000 common share purchase warrant. Each warrant entitled the holder to purchase one common share at \$0.05 per share for a period of 2 years following the date of issuance. These warrants were assigned a value of \$24,206 using the Black Scholes option pricing model using the following assumptions: risk free interest rate 0.63%; expected volatility of 225%; expected dividend yield of 0% and an expected life of two years. Expected volatility was based on the historical volatility of other comparable listed companies.
- (viii) In accordance with the acquisition of the Bonchamp Claims (note 6), Renforth issued 4,000,000 common shares at \$0.05 per share based on the fair market value of the common shares at the date of issuance.
- (ix) On May 11, 2016, the Company closed a non-brokered private placement financing raising gross proceeds of \$26,000 through the issuance of 520,000 common share units ("Common Units") at \$0.05 per Common Unit. Each Common Unit consists of one common share in the capital of the Company and one whole common share purchase warrant ("Common Warrant"). Each Common Warrant entitles the holder to purchase one common share in the capital of the Company at a price of \$0.10 for a period of 24 months following closing. These warrants were assigned a value of \$11,556 using the Black Scholes option pricing model using the following assumptions: risk free interest rate 0.53%; expected volatility of 218%; expected dividend yield of 0% and an expected life of two years. Expected volatility was based on the historical volatility of other comparable listed companies.
- (x) On July 4, 2016, the Company closed a non-brokered private placement financing raising gross proceeds of \$18,000 through the issuance of 260,000 units and 100,000 flow through units. The units were priced at \$0.05 per unit and consisted of one share and one warrant. The flow through units were priced at \$0.05 per unit and consisted of one share and a half warrant. Each full warrant can be exercised to purchase one common share at a price of \$0.10 per share. The half warrants associated with the flow through units are exercisable for a period of 18 months, the whole warrants associated with the common share units are valid for a period of 24 months. These warrants were assigned a value of \$7,642 using the Black Scholes option pricing model using the following assumptions: risk free interest rate 0.51%; expected volatility of 214%; expected dividend yield of 0% and an expected life of 1.5 - 2 years. Expected volatility was based on the historical volatility of other comparable listed companies.
- (xi) On September 19, 2016, the Company completed a non-brokered private placement financing raising gross proceeds of \$26,000 through the issuance of 520,000 units at \$0.05 per unit. Each unit consisted of one common share in the capital of the Company and one whole common share purchase warrant. Each warrant entitles the holder to purchase one common share in the capital of the Company at a price of \$0.10 for a period of 24 months following closing. These warrants were assigned a value of \$11,556 using the Black Scholes option pricing model using the following assumptions: risk free interest rate 0.58%; expected volatility of 214%; expected dividend yield of 0% and an expected life of 2 years. Expected volatility was based on the historical volatility of other comparable listed companies.
- (xii) On September 19, 2016, the Company issued 2,000,000 common shares, at \$0.04 per share based on the fair market value of the common shares at the date of issuance, for 100% ownership of the New Alger mining concession, subject to a 2% NSR which applies to the property (note 6).
- (xiii) On September 21, 2016, the Company issued 450,000 common shares, at \$0.05 per share based on the fair market value of the common shares at the date of issuance, for 100% interest in the optioned claims that are contiguous to the Company's wholly owned New Alger Project (note 6).

RENFORTH RESOURCES INC.

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8. SHARE CAPITAL (continued)

(xiv) On November 30, 2016, the Company completed a non-brokered private placement financing raising gross proceeds of \$14,000 through the issuance of 80,000 units, and 200,000 flow through units each at \$0.05 per unit. Each unit consisted of one common share in the capital of the Company and one whole common share purchase warrant. Each warrant entitles the holder to purchase one common share in the capital of the Company at a price of \$0.10 for a period of 24 months following closing. Each flow through unit consisted of one common share in the capital of the Company and one half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share in the capital of the Company at a price of \$0.10 for a period of 18 months following closing. The warrants were assigned a value of \$2,095 and \$3,258 respectively, using the Black Scholes option pricing model using the following assumptions: risk free interest rate 0.53%; expected volatility of 218%; expected dividend yield of 0% and an expected life of 1.5 - 2 years. Expected volatility was based on the historical volatility of other comparable listed companies.

c) Share purchase warrants

The following summarizes the activity during the years ended December 31, 2016 and December 31, 2015:

	Warrants outstanding	Value \$
Balance at December 31, 2014	2,819,540	30,005
Issue of warrants – March 10, 2015	2,600,000	56,837
Expiry of warrants – Jan 25, 2015	(550,000)	(4,327)
Expiry of warrants – May 7, 2015	(132,600)	(2,600)
Expiry of warrants – May 28, 2015	(1,180,940)	(7,912)
Issue of warrants – June 1, 2015	224,000	5,041
Issue of warrants – November 27, 2015	2,558,800	39,697
Issue of warrants – December 31, 2015	387,200	10,361
Balance at December 31, 2015	6,726,000	127,102
Issue of warrants – May 11, 2016	520,000	11,556
Issue of warrants – July 4, 2016	310,000	7,642
Issue of warrants – September 19, 2016	520,000	11,556
Issue of warrants – November 30, 2016	180,000	5,353
Expired	(1,156,000)	(20,008)
Balance at December 31, 2016	7,100,000	143,201

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8. SHARE CAPITAL (continued)

Summary of warrants outstanding as at December 31, 2016:

Number of Warrants Outstanding	Exercise Price	Expiry Date	Weighted Average Remaining Life	Grant Date Fair Value
#	\$		years	\$
2,600,000	0.07	9-Mar-17	0.19	56,837
24,000	0.07	1-Jun-17	0.42	199
2,000,000	0.05	27-Nov-17	0.91	24,206
558,800	0.10	27-Nov-17	0.91	15,491
387,200	0.10	31-Dec-17	1.00	10,361
520,000	0.10	11-May-18	1.36	11,556
260,000	0.10	4-Jul-18	1.51	5,642
50,000	0.10	4-Jan-18	1.01	2,000
520,000	0.10	19-Sep-18	1.72	11,556
80,000	0.10	30-Nov-18	1.92	2,095
100,000	0.10	30-May-18	1.41	3,258
7,100,000	0.07		0.78	143,201

d) Stock option plan

The Company has a stock option plan which provides for the granting of options to purchase common shares to a maximum of 10% of the issued and outstanding common shares of the Company to officers, directors, and other service providers at the discretion of the directors. Each option granted under this plan shall be exercisable for a maximum period of five years from the date the option is granted to the optionee.

On February 26, 2015, the Company issued 650,000 options to officers and directors of the Company exercisable for a period of five years at an exercise price of \$0.05 per option. The options vested 50% upon grant and 50% six months from the date of grant. The fair value of the options were estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: expected volatility of 150%; expected dividend yield of 0%; risk-free interest rate of 0.78%; and expected life of 5 years. The options were valued at \$11,050. Expected volatility was based on the historical volatility of other comparable listed companies.

On August 7, 2015, the Company issued 950,000 options to officers and directors of the Company exercisable for a period of five years at an exercise price of \$0.09 per option. The options vested 50% upon grant and 50% six months from the date of grant. The fair value of the options were estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: expected volatility of 176%; expected dividend yield of 0%; risk-free interest rate of 0.78%; and expected life of 5 years. The options were valued at \$12,350. Expected volatility was based on the historical volatility of other comparable listed companies.

On April 28, 2016, the Company issued 1,650,000 options to officers, directors and consultants of the Company exercisable for a period of five years at an exercise price of \$0.07 per option. The options vested 50% upon grant and 50% six months from the date of grant. The fair value of the options were estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: expected volatility of 191%; expected dividend yield of 0%; risk-free interest rate of 0.85%; and expected life of 5 years. The options were valued at \$62,700. Expected volatility was based on the historical volatility of other comparable listed companies.

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8. SHARE CAPITAL (continued)

On September 19, 2016, the Company issued 1,300,000 options to officers, directors and consultants of the Company exercisable for a period of five years at an exercise price of \$0.05 per option. The options vested immediately on the date of grant. The fair value of the options were estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions: expected volatility of 195%; expected dividend yield of 0%; risk-free interest rate of 0.73%; and expected life of 5 years. The options were valued at \$62,400. Expected volatility was based on the historical volatility of other comparable listed companies.

For the year ended December 31, 2016, stock option expense of \$110,529 (2015 - \$22,369) was charged to operations with an equivalent offset credited to contributed surplus to reflect the vested portion of the fair value of stock options granted for directors and officers compensation.

As at December 31, 2016, the weighted average exercise price of options outstanding and options exercisable were as follows:

	December 31, 2016		December 31, 2015	
	Number	Weighted Average Exercise price	Number	Weighted Average Exercise price
Outstanding – beginning of year	4,755,000	\$ 0.09	3,315,000	\$ 0.13
Granted	2,950,000	\$ 0.06	1,600,000	\$ 0.07
Expired	(80,000)	\$ 0.25	(160,000)	\$ 0.50
Outstanding – end of year	7,625,000	\$ 0.07	4,755,000	\$ 0.09
Exercisable – end of year	6,975,000	\$ 0.07	4,280,000	\$ 0.09

As at December 31, 2016 the Company had the following stock options outstanding:

Number of Options Outstanding	Exercise Price	Expiry Date	Number of Options Exercisable	Weighted Average Remaining Life (years)
50,000	0.25	20-Apr-17	50,000	0.30
1,875,000	0.10	19-Jun-18	1,875,000	1.47
1,150,000	0.06	28-May-19	1,150,000	2.41
650,000	0.05	26-Feb-20	650,000	3.16
950,000	0.09	7-Aug-20	950,000	3.60
1,650,000	0.07	28-Apr-21	1,650,000	4.33
1,300,000	0.05	19-Sept-21	1,300,000	4.72
7,625,000			7,625,000	3.18

The weighted average fair value per option issued during the year ended December 31, 2016 was \$0.042 (2015 - \$0.015).

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Notes to Financial Statements

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9. LOSS PER COMMON SHARE

The following table sets forth the computation of basic and diluted loss per common share:

For the years ended December 31	2016	2015
Numerator:		
Net loss attributable to common shareholders		
- basic and diluted	\$ (258,006)	\$ (2,832)
Denominator:		
Weighted average common shares outstanding		
- basic	71,501,775	54,787,960
- diluted	71,501,775	54,787,960
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)

The warrants and options outstanding were excluded from the computation of diluted loss per share in 2016 and 2015 because their impact was anti-dilutive.

10. INCOME TAXES

a) Provision for Income Taxes - Current

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of approximately 26.5% (2015 – 26.50%) were as follows:

	2016	2015
Loss before income taxes	\$ (258,006)	\$ (2,832)
Statutory rate applied to loss for the year before income taxes	\$ (68,000)	\$ (1,000)
Increase (decrease) in taxes resulting from:		
Non-deductible stock-based compensation	29,000	6,000
Flow-through expenditures	4,000	50,000
Expenses not deductible for tax purposes	(1,000)	(5,000)
Other items	(23,000)	(50,000)
Tax benefits not realized	59,000	-
	-	-
Current tax expense	-	-
Deferred income tax recovery	-	-
	\$ -	\$ -

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10. INCOME TAXES (continued)

b) Deferred Income Taxes

The tax benefit of the following unused tax losses and deductible temporary differences have not been recognized in the financial statements due to the unpredictability of future earnings:

	2016	2015
Deductible temporary differences		
Non-capital loss carry-forwards	\$4,908,000	\$4,863,000
Exploration and evaluation expenditures	1,764,000	1,570,000
Equipment	8,000	8,000
Share issue costs	15,000	29,000
	\$ 6,695,000	\$6,470,000

c) Tax Loss Carry-Forwards

Any non-capital losses that may be utilized to reduce taxable income in Canada in future years expire at the end of the following years:

2026	\$ 156,732
2027	1,098,253
2028	1,400,430
2029	629,929
2030	893,889
2031	644,133
2033	11,482
2034	65,954
2036	7,598
	\$ 4,908,400

11. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no significant changes in the risks, objectives, policies and procedures during the years ended December 31, 2016 and 2015.

Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents. The Company has no significant concentration of credit risk arising from operations. Cash is held with reputable financial institutions, from which management believes the risk of loss to be remote. Management believes that the credit risk concentration with respect to these items is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2016, the Company had a cash and cash equivalent balance of \$16,906 (2015 – \$59,338) to settle current liabilities of \$335,957 (2015 - \$222,737). The Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

(a) Interest rate risk

The Company has cash balances and no long term debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

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Notes to Financial Statements

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11. FINANCIAL RISK FACTORS (continued)

(b) Foreign exchange risk

The Company's functional currency is the Canadian dollar and all major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk is negligible and therefore does not hedge its foreign exchange risk.

The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Price risk is remote since the Company is not a producing entity.

Fair value of financial assets and liabilities

The Company has designated its cash and cash equivalents as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, classified as other financial liabilities, are measured at amortized cost.

As at December 31, 2016 and 2015, the fair values of Company's financial instruments approximate their carrying values, given their short-term nature.

12. COMMITMENTS AND CONTINGENCIES

- (a) See note 6 and 15 for additional commitments and contingencies on evaluation and exploration assets.
- (b) The Company renounced \$114,600 of qualifying exploration expenditures to the shareholders effective December 31, 2015. Under the "look back" provision governing flow-through shares, \$41,968 of this amount had to be spent by the end of 2016. The Company spent the amount required.
- (c) The Company renounced \$15,000 of qualifying exploration expenditures to the shareholders effective December 31, 2016. Under the "look back" provisions governing flow-through shares, \$10,000 of this amount was unspent by the end of 2016 and has to be spent by December 31, 2017.
- (d) The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

13. SUPPLEMENTAL INFORMATION – STATEMENT OF CASH FLOWS

	2016	2015
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
Non-Monetary Transactions:		
Shares issued for debt settlement	\$ 80,000	\$ 50,850
Shares issued under option agreements	\$ 122,500	\$ 339,000
Shares issued for services	\$ -	\$ 3,225
Compensation and finders' warrants issued	\$ -	\$ 199
Change in accrued exploration and evaluation assets	\$ 41,577	\$(122,714)
Warrants issued under option agreements	\$ -	\$ 24,206

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14. GENERAL AND CORPORATE EXPENSES

	2016	2015
Management compensation (<i>note 7</i>)	\$ 90,000	\$ 90,000
Legal and audit	22,400	22,822
Consulting services	2,000	937
Rent	6,375	6,375
Insurance	9,129	8,347
Transfer agent	6,211	4,700
Administrative and general	14,334	42,707
Stock exchange fees	6,028	6,000
	<u>\$ 156,477</u>	<u>\$ 181,888</u>

15. SUBSEQUENT EVENTS

On January 9, 2017, the Company settled debt in the amount of \$288,150 associated with services rendered to Renforth by the President and CEO and the CFO over a period covering 17 months and including HST. This is the only compensation paid for the services rendered in the period. A total of 5,763,000 shares were issued to discharge this debt in full.

In March 2017, the Company acquired a the Denain Gold Project, located on the Cadillac Break in the province of Quebec. The Project is comprised of 145 claims. The claims were acquired for 3,750,000 shares of Renforth to be issued from Treasury for a 100% interest in 101 claims and an 80% interest in 44 of the claims where the arms-length vendor only holds an 80% interest in such claims. The vendor will retain a 2% NSR on the claims, half of which (1% of the 2%) can be purchased by Renforth for \$500,000.

On March 7, 2017, the Company closed the first tranche of financing in the amount of \$67,500, raised with the sale of 100,000 common share units and 1,250,000 flow-through units, each unit priced at \$0.05, with 725,000 warrants exercisable at \$0.10 for a period of 24 months for the warrants attached to the common share units and 18 months for the warrants attached to the flow through units.

Subsequent to December 31, 2016, 2,600,000 warrants and 50,000 stock options expired unexercised.