CRYSTAL LAKE MINING CORPORATION

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

FOR THE THREE MONTHS ENDED DECEMBER 31, 2016

Head Office Address
13236 Cliffstone Court, Lake Country,
British Columbia, Canada V4V 2R1

Registered and Records Office Address
1400 – 1125 Howe Street
Vancouver British Columbia V6Z 2K8

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

CRYSTAL LAKE MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars

	December 31, 2016	September 30, 2016
ASSETS		
Current		
Cash	$ 33,984	$ 101,983
Receivables	29,713	21,547
	63,697	123,530
Exploration and evaluation assets (Note 3)	2,520,708	2,403,021
Land, building and equipment (Note 4)	273,321	260,316
	$ 2,857,726	$ 2,786,867
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 402,574	$ 124,136
Due to related parties (Note 7)	236,657	394,971
Loans payable (Note 5)	844,624	785,132
	1,483,855	1,304,239
Shareholders' equity		
Capital stock (Note 6)	13,085,562	12,945,312
Subscription received in advance (Note 6)	53,400	140,250
Share-based payment reserve (Note 6)	1,260,880	1,260,880
Equity component of convertible loans (Note 5)	7,836	7,836
Deficit	(13,033,807)	(12,871,650)
	1,373,871	1,482,628
	$ 2,857,726	$ 2,786,867

Nature and continuance of operations (Note 1)
Subsequent events (Note 14)

On behalf of the Board:

"Wally Boguski"	Director	*"Alphonse Ruggiero"*	Director

CRYSTAL LAKE MINING CORPORATION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars
FOR THE THREE MONTHS ENDED DECEMBER 31,

		2016		2015
EXPENSES				
Amortization (Note 4)	$	1,995	$	1,514
Consulting fees (Note 7)		24,597		50,768
Directors fees (Note 7)		3,770		7,225
Gain on settlement of accounts payable		-		(31,948)
General, rent and administrative (Note 7)		15,560		13,386
Management fees (Note 7)		31,116		31,147
Office and miscellaneous		39,671		101,775
Professional fees		30,819		92,333
Property investigation		-		6,877
Regulatory fees		2,151		1,767
Salary		446		360
Transfer agent fees		468		837
Travel and promotion		11,564		20,539
Loss and comprehensive loss for the period	$	(162,157)	$	(296,580)
Basic and diluted loss per common share	$	(0.03)	$	(0.01)
Weighted average number of common shares outstanding		42,419,863		32,725,598

CRYSTAL LAKE MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars
FOR THE THREE MONTHS ENDED DECEMBER 31

	Number of shares	Capital stock	Subscriptions received in advance	Commitment to issue shares	Share-based payment reserve	Equity Component of Convertible Loans	Deficit	Total equity (deficiency)
September 30, 2015	**35,684,321**	**$ 11,256,470**	**$ 22,200**	**$ 80,000**	**$ 1,085,284**	**$ 7,836**	**$ (11,985,152)**	**$ 466,638**
Private placements	400,000	160,000	(20,000)	-	-	-	-	140,000
Share issuance costs	-	(1,550)	-	-	-	-	-	(1,550)
Exercise of warrants	866,667	173,333	-	-	-	-	-	173,333
Shares issued for debt settlement	334,000	133,600	-	(80,000)	-	-	-	53,600
Share-based compensation	-	-	-	-	-	-	-	-
Shares issued for finder's fees	115,475	46,190	-	-	-	-	-	46,190
Loss for the period	-	-	-	-	-	-	(296,580)	(296,580)
December 31, 2015	37,400,463	11,768,043	2,200	-	1,085,284	7,836	(12,281,732)	581,631
Private placements	793,000	237,550	-	-	40,000	-	-	277,550
Share issuance costs	-	(4,625)	-	-	-	-	-	(4,625)
Transfer to loan payable	-	-	(2,200)	-	-	-	-	(2,200)
Exercise of warrants	933,334	186,667	-	-	-	-	-	186,667
Shares issued for debt settlement	745,620	182,677	-	-	-	-	-	182,677
Share-based compensation	-	-	-	-	135,596	-	-	135,596
Shares issued for mineral property	2,000,000	575,000	-	-	-	-	-	575,000
Shares subscriptions received in advance	-	-	140,250	-	-	-	-	140,250
Loss for the period	-	-	-	-	-	-	(589,918)	(589,918)
September 30, 2016	41,872,417	12,945,312	140,250	-	1,260,880	7,836	(12,871,650)	1,482,628
Private placements	115,000	40,250	(40,250)	-	-	-	-	-
Exercise of warrants	500,000	100,000	(100,000)	-	-	-	-	-
Shares subscriptions received in advance	-	-	43,400	-	-	-	-	43,400
Loss for the period	-	-	-	-	-	-	(162,157)	(162,157)
December 31, 2016	42,487,417	$ 13,085,562	$ 43,400	$ -	$ 1,260,880	$ 7,836	$ (13,033,807)	$ 1,363,871

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

CRYSTAL LAKE MINING CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)
Expressed in Canadian Dollars
FOR THE THREE MONTHS ENDED DECEMBER 31,

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (162,157)	$ (296,580)
Item not affecting cash:		
Amortization	1,995	1,514
Interest on loans payable	10,397	17,800
Gain on settlement of accounts payable	-	(4,000)
Changes in non-cash working capital items:		
(Decrease) increase in due to related parties	(158,314)	67,505
(Increase) decrease in receivables	(8,166)	(16,115)
(Decrease) increase in accounts payable and accrued liabilities	299,979	(16,329)
Net cash used in operating activities	(16,266)	(246,205)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of capital stock	-	140,000
Proceeds from the exercise of warrants	-	173,333
Share subscriptions received in advance	53,400	-
Repayment on mortgage liability	(7,405)	(9,873)
Loan payable	67,500	30,000
Loan repayment	(11,000)	-
Share issuance costs	-	(1,550)
Net cash provided by financing activities	102,495	331,910
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	(15,000)	-
Exploration and evaluation assets expenditures	(139,228)	(231,399)
Net cash used in investing activities	(154,228)	(231,399)
Change in cash for the period	(67,999)	(145,694)
Cash, beginning of period	101,983	155,430
Cash, end of period	$ 33,984	$ 9,736
Cash paid during the period for interest	$ -	$ -
Cash paid during the period for income taxes	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 10)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the Business Corporations Act (British Columbia) on July 20, 2009 and is publicly listed and traded on the TSX Venture Exchange (“TSX-V”). The Company is currently engaged in the identification, acquisition and exploration of precious metal resources in Canada. The Company’s head office is 13236 Cliffstone Court, Lake Country, British Columbia, V4V 2R1, Canada. The Company’s registered and records office is located at #1400 – 1225 Howe Street, Vancouver, British Columbia, V6Z 2K8, Canada.

These condensed consolidated interim financial statements have been prepared in accordance with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The operations of the Company were primarily funded by the issuance of capital stock and proceeds from loans payable. Certain of the Company’s loans payable matured during the year ended September 30, 2016 without repayment (Note 5).

The continued operations of the Company are dependent on its ability to develop a sufficient financing plan, receive continued financial support from related parties, complete sufficient public equity financings or generate profitable operations in the future. These material uncertainties may cast significant doubt on the entity’s ability to continue as a going concern. The condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue business.

On July 14, 2016 the Company changed its name to Crystal Lake Mining Corporation (formerly Sierra Iron Ore Corporation) and the new symbol is ‘CLM’.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These condensed consolidated interim financial statements, including comparatives have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting.

The policies applied in the condensed consolidated interim financial statements are presented below and are based on IFRS’ issued and outstanding as of February 28, 2017, the date the Board of Directors approved the condensed consolidated interim financial statements. None of these standards are expected to have a significant effect on the condensed consolidated interim financial statements.

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Principles of consolidation

These condensed consolidated interim financial statements include the accounts of the Company, its wholly-owned Mexican subsidiary Minera Sierra Gioc SA and its wholly owned United States subsidiary Sierra Iron Ore USA. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant inter-company transactions and balances have been eliminated upon consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Estimates, judgments and assumptions

The preparation of the Company's condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Estimates and assumptions are continually 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. Actual results could differ from these estimates.

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

<u>Significant Judgments</u>

Deferred taxes

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions from deferred income and resource tax assets.

Functional currency

The determination of a subsidiary's functional currency often requires significant judgment where the primary economic environment in which they operate may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation method.

<u>Significant Estimates</u>

Share-based compensation

Share-based compensation is determined using the Black-Scholes option pricing model based on the estimated fair value of all share-based awards at the date of grant and is expensed to the statement of loss and comprehensive loss over each award's vesting period. The Black-Scholes option pricing model utilizes subjective assumptions such as expected price volatility and expected life of the option. Changes in these input assumptions can significantly affect the fair value estimate.

Non-cash transactions

The valuation of shares issued in non-cash transactions. Generally, the valuation of non-cash transactions is based on the value of the goods or services received. When this cannot be determined, it is based on the fair value of the non-cash consideration. When non-cash transactions are entered into with employees and those providing similar services, the non-cash transactions are measured at the fair value of the consideration given up using market prices.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Foreign exchange

The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency for all entities within the Company is the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are reflected in profit or loss for the period.

Exploration and evaluation assets

Upon acquiring the legal right to explore a property, costs related to acquisition and exploration are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related exploration and evaluation assets are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition and exploration costs are not recoverable over the estimated economic life of the exploration and evaluation assets, or the exploration and evaluation assets are abandoned, or management deems there to be an impairment in value, the exploration and evaluation assets are written down to their net realizable value.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the year received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Impairment

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Decommissioning and restoration provision

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of exploration and evaluation assets and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to mining assets along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The rehabilitation asset is depreciated on the same basis as mining assets.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to mining assets with a corresponding entry to the rehabilitation provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to profit and loss for the period.

As at December 31, 2016 and 2015, the Company has no decommissioning or restoration obligations.

Land, building and equipment

Land, building and equipment is recorded at cost and amortized using the declining balance method at the following rates per annum.

Computer equipment	55% to 100% per annum
Furniture and equipment	20% per annum
Machinery and equipment	30% per annum
Vehicles	30% per annum
Building	4% per annum

Land, building and equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off. The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditures relating to an item of land, building and equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance.

Flow-through shares

Canadian Income Tax legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. The Company accounts for flow-through shares whereby the premium paid for the flow-through shares in excess of the market value of the shares without flow-through features at the time of issue is credited to other liabilities and included in profit or loss at the same time the qualifying expenditures are made.

Share-based compensation

The Company grants stock options to acquire common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Share-based compensation (cont'd…)

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock. The effect of forfeitures is accounted for as they occur.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based compensation is measured at the fair value of goods or services received.

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 through profit or 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 and comprehensive 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 through profit or loss.

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.

The Company has classified its cash at fair value through profit and loss. The Company's receivables and due from a related party are classified as loans and receivables.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Financial instruments (cont'd…)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was incurred. 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 and comprehensive loss.

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

The Company's accounts payable and accrued liabilities, loans payable, mortgage payable, and due to related parties are classified as other financial liabilities.

Financial instruments that are measured at fair value use inputs, which are classified within a hierarchy that prioritizes their significance. 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.

Income taxes

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 statement of financial position 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.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Loss per share

The Company presents basic loss per share 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. Diluted loss per share is calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed by assuming that outstanding options, warrants and similar instruments were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

Future accounting pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

Accounting Standards Issued and Effective for Annual Reporting Periods Beginning On or After January 1, 2018:

IFRS 9 *Financial Instruments* replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

IFRS 7 is amended to require additional disclosures on transition from IAS 39 to IFRS 9. The Company has adopted this policy and it doesn't have a significant effect on the financial statements. The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

IFRS 15, Revenue from Contracts with Customers: IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, Construction Contracts, IAS 18, Revenue, IFRIC 13, Customer Loyalty Programs, IFRIC 15, Agreements for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers, and SIC-31, Revenue – Barter Transactions involving Advertising Service.

Expressed in Canadian Dollars

3. EXPLORATION AND EVALUATION ASSETS

Period Ended December 31, 2016	Tom Cat Claims, British Columbia, Canada	Iron Property, Ontario Canada	Farm Property Ontario Canada	EL1 Property, Ontario Canada	Total
Acquisition Costs:					
Balance, beginning of period	$ 244,146	$ 503,199	$ 250,000	$ 675,000	$ 1,674,345
Cash payment	-	13,975	10,000	-	23,975
Shares issued	-	-	-	-	-
Balance, end of period	244,146	519,174	260,000	675,000	1,698,320
Deferred Exploration Costs:					
Balance, beginning of period	246,239	444,445	385	37,597	728,676
Assay	-	-	-	3,512	3,512
Consulting	-	-	12,000	54,000	66,000
Project management fees	21,000	-	-	3,200	24,300
Balance, end of period	267,239	444,445	12,385	98,309	822,388
Total	**$ 511,385**	**$ 963,619**	**$ 272,385**	**$ 773,309**	**$ 2,520,708**

Year Ended September 30, 2016	Tom Cat Claims, British Columbia, Canada	Iron Property, Ontario Canada	Farm Property Ontario Canada	EL1 Property, Ontario Canada	Total
Acquisition Costs:					
Balance, beginning of year	$ 244,146	$ 451,859	$ 250,000	$ 100,000	$ 1,046,005
Cash payment	-	7,150	-	-	7,150
Shares issued	-	46,190	-	575,000	621,190
Balance, end of year	244,146	505,199	250,000	675,000	1,674,345
Deferred Exploration Costs:					
Balance, beginning of year	170,301	149,094	-	5,000	324,395
Assay	-	42,973	-	-	42,973
Consulting	20,000	-	385	-	20,385
Drilling	-	144,177	-	-	144,177
Field work and other	45,955	27,438	-	3,177	76,570
Geologist and testing	-	7,200	-	29,420	36,620
Project management fees	9,983	61,000	-	-	70,983
Supplies	-	12,573	-	-	12,573
Balance, end of year	246,239	444,455	385	37,597	728,676
Total	**$ 490,385**	**$ 949,654**	**$ 250,385**	**$ 712,597**	**$ 2,403,021**

3. EXPLORATION AND EVALUATION ASSETS (cont'd…)

Tom Cat Claims, British Columbia

The Company owns a 100% interest in certain mining claims, known as the Tom Cat Claims, located in the Nicola Mining District, British Columbia. The claims are subject to a 2% Net Smelter Royalty ("NSR"), of which 1% may be purchased for $2,000,000 for five years from the start of commercial production.

Iron Property, Emo, Ontario

The Company entered into a series of agreements, the last of which was finalized during the period ended December 31, 2016, to acquire the right to earn a 60% interest in the iron mineralization on the Emerald Lake Property located north of the town of Emo, Ontario.

Pursuant to the agreements, the Company paid $65,000 in fiscal 2014 and issued 2,865,625 common shares valued at $386,859 in fiscal 2015. In order to complete the acquisition of the 60% interest, the Company is required to pay four additional installments of $50,000 each commencing April 15, 2016 and continuing every six months to October 17, 2017, plus additional finder's fees of 115,475 common shares, which were issued during the year ended September 30, 2016 and valued at $46,190 and an additional 6,392,000 common shares on the earlier of a positive feasibility or the commencement of commercial production. The Company is also required to incur exploration expenditures of $1,500,000 by October 15, 2017. The Company has the option to acquire an additional 32% interest in the iron ore mineralization present on the property at terms to be negotiated, plus the right of first refusal on future properties acquired by the vendor.

The Company is negotiating an amended agreement.

EL5 Property, Emo, Ontario (formerly known as the Farm Property)

The Company entered into a series of agreements, the last of which was finalized during the period ended December 31, 2016, to acquire the right to earn a 50% interest in Iron Property located in Emo, Ontario.

Pursuant to the agreements, the Company paid $250,000 in fiscal 2015. In order to complete the acquisition of the 50% interest, the Company is required to pay $10,000 within five days of regulatory approval and an additional $250,000 within 18 months of the March 18, 2016 regulatory approval. The Company is also required to incur exploration expenditures of $2,000,000 by October 22, 2018. The Company has the option to acquire an additional 42% interest in the property at terms to be negotiated, plus the right of first refusal on future properties acquired by the vendor. The property is subject to a 3% NSR.

The Company is negotiating an amended agreement.

EL1 Property, Emo, Ontario (formerly known as the Allen Property)

The Company entered into a series of agreements, the last of which was finalized during the period ended December 31, 2016, to acquire the right to earn up to a 60% interest in the EL1 Property located in Emo, Ontario.

Pursuant to the agreements, the Company paid $100,000 in fiscal 2015. In order to complete the acquisition of an initial 15% interest, the Company is required to pay $100,000 upon regulatory approval, $500,000 within 8 months of regulatory approval, $1,500,000 within 12 months of the March 14, 2016 regulatory approval and issue 3,500,000 common shares over a period of 12 months after regulatory approval. The Company is also required to incur exploration expenditures of $1,500,000 within 24 months following regulatory approval.

During the year ended September 30, 2016, the Company issued 2,000,000 common shares valued at $575,000. The Company is required to issue 1,500,000 shares within 12 months after regulatory approval.

Expressed in Canadian Dollars

3. EXPLORATION AND EVALUATION ASSETS (cont'd…)

EL1 Property, Emo, Ontario (formerly known as the Allen Property) (cont'd…)

During the year ended September 30, 2016, the agreement was amended to provide the Company with an option to and the right of first refusal to purchase an additional 45% undivided interest in the L1 Property upon completion of the obligations.

The Company is negotiating an amended agreement.

In September 2016, the Company engaged in acquiring significant land positions in the Emo, Ontario area. The Company is exploring a large area under the direction of its geological consulting staff who have developed an in-depth understanding of the area through years of rock and soil analysis in the area, extensive research and evolving geological modeling of the formations of interest.

As part of this initiative, the Company has negotiated a key agreement with Emerald Lake Development Corp. ("Emerald Lake") and has acquired a right of first refusal ("ROFR") to acquire 100% of eight additional claim blocks in the area; claims which essentially comprise the balance of Emerald Lake's core property holdings in the area. Any properties purchased will remain subject to a 3% NSR which may be reduced to 2% by a $1,000,000 payment.

The ROFR Agreement (dated September 27, 2016) requires the Company to pay Emerald Lake the sum of $50,000 by April 30, 2017 in order to preserve the right to acquire any or all of the subject properties at any time up to September 30, 2017.

4. LAND, BUILDING AND EQUIPMENT

Equipment is carried at cost less accumulated amortization. Details are as follows:

	Mining Equipment	Furniture and Equipment	Computer	Building[1]	Land[1]	Total
Cost						
Balance, September 30, 2015	$ -	$ 15,974	$ 9,671	$ 120,000	$ 145,290	$ 290,935
Disposals	-	-	-	-	-	-
Balance, September 30, 2016	-	15,974	9,671	120,000	145,290	290,935
Additions	15,000	-	-	-	-	15,000
Balance, December 31, 2016	$ 15,000	$ 15,974	$ 9,671	$ 120,000	$ 145,290	$ 305,935
Accumulated depreciation						
Balance, September 30, 2015	$ -	$ 10,092	$ 9,671	$ 4,800	$ -	$ 24,563
Additions	-	1,256	-	4,800	-	6,056
Balance, September 30, 2016	-	11,348	9,671	9,600	-	30,619
Additions	563	232	-	1,200	-	1,995
Balance, December 31, 2016	$ 563	$ 11,580	$ 9,671	$ 10,800	$ -	$ 32,614
Carrying amounts						
Balance, September 30, 2016	$ -	$ 4,626	$ -	$ 110,400	$ 145,290	$ 260,316
Balance, December 31, 2016	$ 14,437	$ 4,394	$ -	$ 109,200	$ 145,290	$ 273,321

(1) Land and building are listed as collateral for the mortgage payable.

Expressed in Canadian Dollars

5. LOANS PAYABLE

		December 31, 2016	September 30, 2015
i)	During the year ended September 30, 2015, the Company entered into a $250,000 debenture loan. The debenture will mature on March 28, 2017 and will accrue interest at a rate of 10% per annum payable annually and convertible into common shares of the Company at a price of $0.32 per share, at any time prior to maturity. The loan has been classified into its separate loan liability and conversion feature equity components in the Company's financial statements using the fair value method and an effective interest rate of 12%. The liability was valued first, resulting in an initial amount of $242,164 being allocated to the liability and $7,836 being allocated to the conversion feature. Over the term of the loan this carrying value is to be accreted to the $250,000 principal amount using the effective-interest-rate method, with an effective interest rate of 12%. For the year ended September 30, 2016, the corresponding interest and accretion of $29,523 (2015 - $10,668) was charged to operations.	$ 282,355	$ 282,355
ii)	During the year ended September 30, 2014, the Company entered into two debenture loan agreements whereby the Company borrowed $200,000. The loans bear simple interest at 12% per annum and were repayable by December 13, 2014. Pursuant to the agreements, the lenders had the right to convert all or any portion of the accrued interest into common shares of the Company prior to the end of the term. The loan is secured by certain assets of the Company. During the year ended September 30, 2016, the Company accrued $12,000 (2015 - $23,940) of interest. During the year ended September 30, 2015, the Company settled $100,000 of the principal debt for shares. The remaining $100,000 of principal and interest remained unpaid. Interest continues to accrue with no additional penalties.	148,230	145,238
iii)	During the year ended September 30, 2014, the Company financed the acquisition of land and building with a mortgage payable of $260,117. Mortgage was due on August 15, 2016. The mortgage is secured by land and a building in the district of Rainy River, Ontario. During the year ended September 30, 2016, the Company paid $27,150 to reduce the mortgage payable and accrued $29,618 in interest.	266,259	266,259
iv)	During the year ended September 30, 2016, the Company received $96,280 from the CEO of the Company, consisting of a series of non-interest bearing, unsecured advances with no fixed terms of repayment. The Company repaid $5,000 of the amounts advanced during the year ended September 30, 2016.	147,780	91,280
Total loan payable		844,624	785,132
Current portion		(844,624)	(785,132)
		$ -	$ -

6. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE

During the period ended December 31, 2016, the Company,

i) issued 500,000 common shares pursuant to exercise of warrants for gross proceeds of $100,000. The proceeds were received during the year ended September 30, 2016.

ii) closed a non-brokered private placement and issued 115,000 units for net proceeds of $40,250. Each unit consists of one common share, issued at $0.35 per share, and one-half common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of $0.50 on or before November 15, 2018. The proceeds were received during the year ended September 30, 2016.

During the year ended September 30, 2016, the Company:

i) closed a debt settlement and issued 334,000 common shares (valued at $133,600, resulting in a gain of $13,400) to creditors to settle debts aggregating $167,000 of which 110,000 common shares for debts aggregating $55,000 were issued to related parties.

ii) closed a non-brokered private placement and issued 400,000 units for net proceeds of $160,000 of which $20,000 was received during the year ended September 30, 2015. Each unit consists of one common share, issued at $0.40 per share, and one-half common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of $0.055 on or before December 22, 2017. The warrants were assigned a residual value of $40,000 based on the date of issuance at $0.30 per share. The Company paid share issuance costs of $1,550.

iii) issued 115,475 shares at a value of $46,190 as the balance due for the finder's fee payable on the acquisition of the Iron Property (Note 3).

iv) issued 1,800,001 common shares pursuant to exercise of warrants for gross proceeds of $360,000.

v) closed a debt settlement and issued 745,620 common shares (valued at $182,677, resulting in a gain of $115,571) to creditors to settle debts aggregating $298,248 of which 400,000 common shares for debts aggregating $160,000 were issued to related parties. The Company paid share issuance costs of $2,464.

vi) issued 2,000,000 shares at a value of $575,000 pursuant to the acquisition of the Allen Property (Note 3).

vii) closed a non-brokered private placement and issued 793,000 units for gross proceeds of $277,550. Each unit consists of one common share issued at $0.35 per share, and one-half common share purchase warrant. Each warrant may be exercised by the holder to purchase an additional common share at a price of $0.50 on or before May 3, 2018. The Company paid share issuance costs of $2,161.

Expressed in Canadian Dollars

6. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE (cont'd…)

Stock options

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less an applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the board of directors.

A summary of changes in options during the period is as follows:

	Number of options	Weighted average exercise price
Outstanding and exercisable September 30, 2015	2,736,331	$ 0.65
Granted	650,000	0.35
Exercised	-	-
Cancelled/Expired	(611,331)	0.64
Outstanding and exercisable September 30, 2016	2,775,000	0.58
Granted	-	-
Cancelled/Expired	-	-
Outstanding and exercisable December 31, 2016	2,775,000	$ 0.58

The following stock options were outstanding at December 31, 2016:

Expiry Date	Exercise Price	Number of Options	Number of Options Exercisable
July 21, 2017	$ 0.75	1,475,000	1,475,000
April 3, 2018	$ 0.35	650,000	650,000
May 7, 2018	$ 0.40	400,000	400,000
September 7, 2018	$ 0.40	132,500	132,500
September 17, 2018	$ 0.43	117,500	117,500
		2,775,000	2,775,000

Expressed in Canadian Dollars

6. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE (cont'd…)

Stock options (cont'd…)

Share-based compensation

During the period ended December 31, 2016, the Company granted NIL (Year ended September 30, 2016 – 650,000) options to employees and consultants of the Company. The options are exercisable at a price of $Nil (September 30, 2016 - $0.35) per common share for a period of two years. The estimated fair market value of these options is $NIL (September 30, 2016 - $135,596) or $NIL (September 30, 2016 - $0.21) per option.

The weighted average fair value of each stock option granted during the period was $NIL (Year ended September 30, 2016 - $0.21), calculated using the Black-Scholes option-pricing model on the grant date using the following weighted average assumptions:

	Period ended December 31, 2016	**Year ended September 30, 2016**
Volatility	-	123.38%
Risk-free interest rate	-	0.55%
Dividend yield	-	0.00%
Expected life	-	2 years
Expected forfeiture rate	-	0.00%

Warrants

A summary of changes in warrants during the period is as follows:

	Number of warrants	Weighted average exercise price
Outstanding September 30, 2015	6,057,835	$ 0.22
Granted	596,500	0.52
Exercised	(1,800,001)	0.20
Expired	(324,167)	0.48
Outstanding September 30, 2016	4,530,167	0.25
Exercised	(500,000)	0.20
Expired	(1,067,000)	0.20
Outstanding December 31, 2016	2,963,167	$ 0.28

Expressed in Canadian Dollars

6. CAPITAL STOCK AND SHARE-BASED PAYMENT RESERVE (cont'd…)

Stock options (cont'd…)

The following warrants were outstanding at December 31, 2016:

Number of Warrants	Exercise Price	Expiry Date
1,066,667	$ 0.20	March 6, 2017
300,000	$ 0.20	April 6, 2017
1,000,000	$ 0.24	May 4, 2017
200,000	$ 0.55	December 21, 2017
396,500	$ 0.50	May 3, 2018
2,963,167		

7. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers. Other than disclosed below, there was no other compensation paid to key management during the period ended December 31, 2016 and 2015. During the period ended December 31, 2016, the Company paid or accrued:

(i) general, rent and administration fees of $Nil (Year ended September 30, 2016 - $4,500) to a company with a common director of the Company.

(ii) management fees of $31,116 (Year ended September 30, 2016 - $123,457) to the CEO and CFO and companies controlled by CEO and CFO of the Company.

(iii) directors fees of $3,770 (Year ended September 30, 2016 - $26,302) to directors and a former director of the Company.

(iv) professional fees of $Nil (Year ended September 30, 2016 - $145,124) to a law firm managed by a director of the Company for legal services.

(v) share-based compensation of $Nil (Year ended September 30, 2016 - $31,291) to directors of the Company.

Included in due to related parties as at December 31, 2016 is $384,437 (September 30, 2016 - $394,971) due to directors, a spouse of a director, former directors and companies controlled by directors.

During the year ended September 30, 2016, the Company issued 510,000 common shares to directors of the Company to settle debts aggregating $215,000 (Note 6).

8. CAPITAL MANAGEMENT

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide return for shareholders and to maintain sufficient funds to finance the exploration of its exploration and evaluation interests. Capital is comprised of the Company's shareholders' equity. As at December 31, 2016, the Company's shareholders' equity was $1,373,871 (September 30, 2016 – $1,482,628).

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period ended December 31, 2016.

9. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

The carrying value of the Company's receivables, due from related parties, accounts payable and accrued liabilities, due to related parties, and mortgage payable approximate their fair value because of the short-term nature of these instruments. Cash is carried at a fair value using a level 1 fair value measurement. Loans payable are accounted for using the effective interest rate method.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfil its payment obligations. The Company's management believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. At December 31, 2016 the Company had a cash balance of $33,984 (September 30, 2016 - $101,983) to settle current liabilities of $1,483,855 (September 30, 2016 - $1,304,239). All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company expects to fund these liabilities through the use of existing cash resources and additional equity financing.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

The Company has cash balances held with financial institutions. The Company is satisfied with the credit rating of its bank.

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in a foreign currency. As at September 30, 2016, the Company had minimal cash amounts in foreign currencies and considers foreign currency risk insignificant.

Expressed in Canadian Dollars

9. FINANCIAL RISK FACTORS (cont'd…)

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of commodities, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the period ended December 31, 2016, the Company did not have any significant non-cash transactions.

At December 31, 2016, the Company had an accounts payable balance of $76,001 (September 30, 2016 - $97,542) related to exploration and evaluation asset expenditures.

Significant non-cash transactions during the year ended September 30, 2016 include the Company:

i) issued shares in settlement of $316,276 worth of accounts payable and accrued liabilities.

ii) issued 115,475 shares at a value of $46,190 as the balance due for the finder's fee payable on the acquisition of the Iron Ore Property.

iii) issued 2,000,000 shares at a value of $575,000 pursuant to the acquisition of the L1 Property (formerly known as the Allen Property).

11. SEGMENTED INFORMATION

The Company has one operating segment, being the exploration of exploration and evaluation assets in Canada. The Company's equipment and exploration and evaluation assets at December 31, 2016 were $2,794,029 (September 30, 2016 - $2,663,337).

12. SUBSIDIARIES

Significant subsidiaries of the Company are as follows:

	Country of Incorporation	Principal Activity	Effective interest for 2016 and 2015
Minera Sierra Gioc SA	Mexico	Holding company	100%
Sierra Iron Ore USA	United States	Mineral exploration	100%

13. SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2016, the Company:

i) agreed to debt settlements whereby the Company issue 1,325,577 common shares to creditors to settle debts aggregating $397,673.

ii) pursuant to a right of first refusal, it has entered into a purchase agreement dated January 20, 2017, with Emerald Lake Development Corporation ("ELD"). The purchase agreement will allow the Company to buy a one hundred (100%) percent interest in the mineral rights hosted by the property known as Property #6 near Emo, Ontario

In order to complete the purchase, the Company will issue 2,000,000 Common shares to ELD. A royalty consisting of 3% of net smelter returns shall be payable to ELD upon the commencement of commercial production.

The acquisition remains subject to TSX-V Approval.