



## **Copper One Inc.**

### **CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended  
December 31, 2016 and 2015

(in Canadian dollars)

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Copper One Inc.

We have audited the accompanying consolidated financial statements of Copper One Inc. and its subsidiary, which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of operations and comprehensive loss, consolidated statements of cash flows and consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

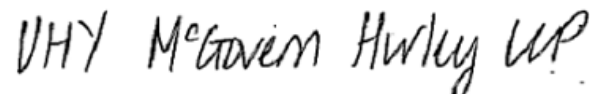
### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Copper One Inc. and its subsidiary as at December 31, 2016 and 2015, and their financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without modifying our opinion, we draw attention to Notes 1 and 7(a) in the consolidated financial statements which describe that the Riviere Dore property claims in Quebec have been suspended. These conditions indicate the existence of a material uncertainty.

UHY McGovern Hurley LLP



Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
April 21, 2017

# Copper One Inc.

## Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

As at

	Note	December 31, 2016	December 31, 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 1,205,519	\$ 53,849
Marketable securities	3	78,750	11,250
Receivables	4	43,621	31,306
Prepaid expenses	5	27,965	1,384
<b>Total current assets</b>		<b>\$ 1,355,855</b>	<b>97,789</b>
<b>Non-current assets</b>			
Property and equipment	6	10,381	-
Exploration and evaluation assets	7	854,996	854,996
<b>TOTAL ASSETS</b>		<b>\$ 2,221,232</b>	<b>\$ 952,785</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		\$ 131,755	\$ 1,455,869
<b>Total liabilities</b>		<b>\$ 131,755</b>	<b>1,455,869</b>
<b>Shareholders' Equity (Deficiency)</b>			
Share capital	8	18,922,990	17,014,798
Share-based payments reserves	9	1,771,484	409,117
Deficit		(18,604,997)	(17,926,999)
<b>Total shareholders' equity (deficiency)</b>		<b>\$ 2,089,477</b>	<b>(503,084)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		<b>\$ 2,221,232</b>	<b>\$ 952,785</b>
Nature of operations and going concern	1		
Commitments and contingencies	12		
Subsequent events	16		
Approved on behalf of the Directors:			
<u>"Scott Moore"</u>		<u>"Paul Pint"</u>	
Director		Director	

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

# Copper One Inc.

## Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian dollars)

		For the Years ended December 31,	
	Note	2016	2015
Operating expenses			
Management and consulting fees	11	\$ 469,519	\$ 637,954
Share-based payments	9	358,189	3,090
Directors' fees (reversal)		(188,333)	143,333
Office and rent		36,346	83,737
Investor relations		30,967	50,525
Travel and promotion		853	6,067
Accounting and legal		27,738	20,815
Regulatory and transfer agent		17,193	16,611
Exploration and evaluation expenses	10	115,774	7,500
Amortization	6	204	-
Bad debt		-	19,599
Foreign exchange (gain)	.	(636)	(224)
<b>Total operating expenses</b>		<b>\$ 867,814</b>	<b>\$ 989,007</b>
Loss before other income (expenses)		(867,814)	(989,007)
Other income (expenses)			
Gain on debt settlement	8	39,000	-
Impairment of exploration and evaluation properties	7	-	(135,729)
Unrealized gain (loss) on held for trading marketable securities	3	67,500	(11,250)
Interest income		-	1,162
<b>Net (loss) and comprehensive (loss) for the year</b>		<b>\$ (761,314)</b>	<b>\$ (1,134,824)</b>
(Loss) per share			
Basic and diluted		\$ (0.04)	\$ (0.17)
Weighted average number of shares outstanding:			
Basic and diluted		19,319,854	6,853,385

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

# Copper One Inc.

## Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

		For the Years ended December 31,	
	Note	2016	2015
<b>Cash provided by (used in) operations:</b>			
<b>Loss for the year</b>		\$ (761,314)	\$ (1,134,824)
Items not involving cash:			
Share-based payments	9	358,189	3,090
Amortization	6	204	
Unrealized (gain) loss on held for trading marketable securities	3	(67,500)	11,250
Write-down of exploration and evaluation property	7	-	135,729
Gain on debt settlement		(39,000)	-
Director fees reversal		(211,667)	-
Change in working capital items:			
Receivables		(12,315)	22,528
Prepaid expenses and deposits		(26,581)	4,091
Accounts payable and accrued liabilities		(306,196)	788,991
<b>Net cash (used in) operating activities</b>		(1,066,180)	(169,145)
<b>Investing activities</b>			
Expenditures on property and equipment	6	(10,585)	-
<b>Net cash (used in) investing activities</b>		(10,585)	-
<b>Financing activities</b>			
Proceeds from issuance of shares		2,435,524	-
Share issue costs		(207,089)	-
<b>Net cash provided by financing activities</b>		2,228,435	-
Change in cash and cash equivalents		1,151,670	(169,145)
Cash and cash equivalents, beginning of year		53,849	222,994
<b>Cash and cash equivalents, end of year</b>		\$ 1,205,519	\$ 53,849
Cash and cash equivalents are comprised of:			
Cash in bank		\$ 1,195,519	\$ 11,451
Cashable guaranteed investment certificates		10,000	-
<b>Supplemental information:</b>			
Common shares issued for debt	8	\$ 767,250	\$ -

(The accompanying notes are an integral part of these consolidated financial statements)

## Copper One Inc.

### Consolidated Statements of Changes in Equity

(Expressed in Canadian dollars)

	Number of Shares (Note 8)	Share Capital	Share-based payments		Share-based payments reserve (Note 9)	Deficit	Total
			Options	Warrants			
Balance, December 31, 2014	6,853,385	\$17,014,798	\$ 449,571	\$ -	\$ 449,571	\$(16,835,719)	\$ 628,650
Share-based payments	-	-	3,090	-	3,090	-	3,090
Expiry of options	-	-	(43,544)	-	(43,544)	43,544	-
Net loss for the year	-	-	-	-	-	(1,134,824)	(1,134,824)
<b>Balance, December 31, 2015</b>	<b>6,853,385</b>	<b>\$17,014,798</b>	<b>\$ 409,117</b>	<b>\$ -</b>	<b>\$ 409,117</b>	<b>\$(17,926,999)</b>	<b>\$ (503,084)</b>
Share-based payments	-	-	358,189	-	\$ 358,189	-	358,189
Expiry of options	-	-	(83,316)	-	(83,316)	83,316	-
Shares issued for debt settlement	8,601,923	767,250	-	-	-	-	767,250
Units issued through private placement	18,734,801	2,435,524	-	-	-	-	2,435,524
Fair value on warrant allocation	-	(1,119,374)	-	1,119,374	1,119,374	-	-
Broker warrants issued	-	-	-	113,911	113,911	-	113,911
Costs of Issue	-	(175,208)	-	(145,791)	(145,791)	-	(320,999)
Net loss for the year	-	-	-	-	-	(761,314)	(761,314)
<b>Balance, December 31, 2016</b>	<b>34,190,109</b>	<b>\$18,922,990</b>	<b>\$ 683,990</b>	<b>\$ 1,087,494</b>	<b>\$ 1,771,484</b>	<b>\$(18,604,997)</b>	<b>\$ 2,089,477</b>

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

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# Copper One Inc.

## Notes to the Consolidated Financial Statements

December 31, 2016 and 2015  
(Expressed in Canadian dollars)

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### 1. Nature of operations and going concern

Copper One Inc. (the "Company") operates under the Canada Business Corporations Act. The Company's wholly owned subsidiary 7231300 Canada Ltd. was incorporated on August 26, 2009. The Company's common shares trade on the TSX Venture Exchange under the symbol "CUO".

The Company is in the process of exploring and evaluating mineral property interests in Quebec, Canada. The Company has not yet determined whether its exploration and evaluation assets contain mineral reserves that are economically recoverable. The Company's continuing operations, and the recoverability of the amounts shown for exploration and evaluation assets are entirely dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its exploration and evaluation assets, and on future profitable production or proceeds from the disposition of the exploration and evaluation assets.

The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. 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, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements. The Company's exploration and evaluation assets have been suspended (see Note 7(a)). While the Company is appealing the suspension, it is not possible to predict whether the suspension will be lifted. These conditions indicate the existence of material uncertainty. If the suspension is not resolved, the carrying value of the exploration and evaluation assets may be impaired.

The consolidated financial statements of the Company for the year ended December 31, 2016 were reviewed, approved and authorized for issue by the Board of Directors on April 21, 2017.

The Company has an accumulated deficit of \$18,604,997, a working capital of \$1,224,100 as at December 31, 2016 and has incurred losses totaling \$761,314 during 2016. The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations. Continued support of shareholders and the ability to raise funds through the issuance of equity or debt will be required. See Note 8.

The head office and principal address of the Company is at Suite 805, 65 Queen Street West, Toronto, Ontario M5H 2M5.

### 2. Significant accounting policies

#### ***Statement of compliance***

These consolidated financial statements of the Company and its subsidiary have been prepared in accordance International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The policies set out below were consistently applied to all the periods presented unless otherwise noted below.

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# Copper One Inc.

## Notes to the Consolidated Financial Statements

December 31, 2016 and 2015  
(Expressed in Canadian dollars)

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### 2. Significant accounting policies (continued)

#### ***Basis of Consolidation***

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary 7231300 Canada Ltd. All significant intercompany transactions and balances have been eliminated upon consolidation.

#### ***Subsidiaries***

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. The financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

#### ***Critical accounting judgments and estimation uncertainties***

The preparation of consolidated 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 consolidated financial statements and related notes to the consolidated 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.

#### ***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 may include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mining properties, costs to sell the properties and the appropriate discount rate. 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.



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# Copper One Inc.

## Notes to the Consolidated Financial Statements

December 31, 2016 and 2015  
(Expressed in Canadian dollars)

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### 2. Significant accounting policies (continued)

#### ***Critical accounting judgments and estimation uncertainties (continued)***

##### *Estimation of decommissioning and restoration costs and the timing of expenditure*

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

##### *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.

##### *Contingencies*

See Note 12.

#### ***Functional currency***

The Company's functional and presentation currency is the Canadian dollars ("C\$"). Transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

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# Copper One Inc.

## Notes to the Consolidated Financial Statements

December 31, 2016 and 2015  
(Expressed in Canadian dollars)

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### 2. Significant accounting policies (continued)

#### *Functional currency (continued)*

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

Foreign exchange gains and losses are presented in the consolidated statement of operations.

#### *Share-based payments and warrants*

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period in which options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

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.

On exercise, the value originally recorded in reserves is recorded to share capital with proceeds received. For those options and warrants that expire after vesting, the recorded value is transferred from reserves to deficit.

#### *Property and equipment*

Property and equipment is comprised of computer hardware and leasehold improvements, which are recorded at cost less accumulated depreciation. The cost of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location, and condition necessary for its intended use. At each reporting period, the Company evaluates the estimated useful life of its property and equipment and changes in circumstances indicating that the carrying value may not be recoverable.

Computer software is depreciated on a straight-line basis over its estimated useful life of 3 years.

Mining equipment are depreciated on a straight-line basis over its estimated useful life of 5 years.

Property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

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# Copper One Inc.

## Notes to the Consolidated Financial Statements

December 31, 2016 and 2015  
(Expressed in Canadian dollars)

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### 2. Significant accounting policies (continued)

#### *Exploration and evaluation assets*

Exploration expenditure relates to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential. Pre-exploration costs are expensed unless it is considered probable that they will generate future economic benefits.

The cost of exploration properties, which include the cost of acquiring prospective properties and exploration rights are capitalized to exploration and evaluation assets. Exploration costs incurred, subsequent to acquisition, in exploration and evaluation activities, are expensed as incurred and included in the consolidated statement of loss until technical feasibility and commercial viability of extraction of reserves are demonstrable. Once a mine development decision has been made by the Company, subsequent expenditures incurred to develop the mine are capitalized to mineral properties.

Prior to capitalization to mineral properties, exploration and evaluation assets acquisition costs are first tested for impairment and any impairment loss recognized immediately in the consolidated statements of loss.

#### *Mining tax credits*

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with all conditions related to obtain the credits. These refundable mining tax credits are earned in respect to exploration costs incurred in Quebec and are recorded as a reduction to exploration and evaluation expenses.

#### *Provisions*

##### *I. General*

Provisions are recognised when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

##### *II. Decommissioning and restoration provision*

The Company records the present value of estimated costs of legal and constructive obligations required to restore locations in the period in which the obligation is incurred.

The obligation generally arises when an asset is installed or the ground / environment is disturbed at the property location. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in operations as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. As at December 31, 2016 and 2015, the Company had no material decommissioning and restoration provisions.

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# Copper One Inc.

## Notes to the Consolidated Financial Statements

December 31, 2016 and 2015  
(Expressed in Canadian dollars)

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### 2. Significant accounting policies (continued)

#### *(Loss) per share*

Basic (loss) per share is computed by dividing net (loss) available to common shareholders by the weighted average number of outstanding common shares for the period. In computing diluted earnings per share, an adjustment is made for the dilutive effect of the exercise of stock options and warrants. The number of additional shares is calculated by assuming that outstanding stock options and warrants are exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. In periods where a net loss is reported, all outstanding options and warrants are excluded from the calculation of diluted loss per share, as they are anti-dilutive.

#### **Taxation**

##### *I. Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of each reporting period.

##### *II. Deferred income tax*

Deferred income tax is provided using the liability method on temporary differences, at the end of each reporting period, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss.

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# Copper One Inc.

## Notes to the Consolidated Financial Statements

December 31, 2016 and 2015  
(Expressed in Canadian dollars)

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### 2. Significant accounting policies (continued)

#### *Taxation (continued)*

##### *II. Deferred income tax (continued)*

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

#### *Flow-through instruments*

Canadian tax legislation permits a company to issue flow-through instruments whereby the deduction for tax purposes relating to qualified resource expenditures could be claimed by the investors rather than the company.

A flow-through instrument comprises transfer of tax deductions and common shares. Proceeds from an issuance of a flow-through instrument are allocated to liability and equity components in proportion, according to their respective fair values at the date of issuance. Upon renunciation of the flow-through expenditures for Canadian income tax purposes, the related flow-through liability recognized in previous periods in the consolidated statement of financial position will be reversed and recorded as a component of other income (expense).

The Company has indemnified the subscribers of its flow-through share offerings against any tax related amounts that may become payable if the Company fails to meet its flow-through expenditure obligations.

#### *Financial instruments – recognition and measurement*

All financial assets and financial liabilities are initially recorded at fair value and designated upon inception into one of the following categories: held-to-maturity, available-for-sale, loans and receivables, at fair value through profit or loss (“FVTPL”), or as other financial liabilities not at FVTPL.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Held-to-maturity instruments, loans and receivables and financial liabilities not at fair value but through profit or loss are measured at amortized cost using the effective interest rate method.

The Company has implemented the following classifications for its financial instruments:

- a) Cash and cash equivalents, and receivables have been classified as loans and receivables.
- b) Marketable securities are classified at FVTPL.
- c) Accounts payables and accrued liabilities have been classified as financial liabilities not at fair value through profit or loss.

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# Copper One Inc.

## Notes to the Consolidated Financial Statements

December 31, 2016 and 2015  
(Expressed in Canadian dollars)

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### 2. Significant accounting policies (continued)

#### *Impairment of financial assets*

The Company makes an assessment at the end of each reporting period whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade and other receivables, a provision for impairment is made and an impairment loss is recognized in profit or loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

#### *De-recognition of financial assets and financial liabilities*

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### *Impairment of non-financial assets*

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

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.

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# Copper One Inc.

## Notes to the Consolidated Financial Statements

December 31, 2016 and 2015  
(Expressed in Canadian dollars)

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### 2. Significant accounting policies (continued)

#### *Impairment of non-financial assets (continued)*

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

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, however the increased carrying amount cannot 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.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash at banks and on hand, and a \$10,000 GIC deposit as security for the Company's corporate credit card.

#### *New and future accounting pronouncements*

During 2016, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IFRS7, IAS1 and IAS38. These new standards and changes did not have any material impact on the Company's consolidated financial statements.

#### *Accounting pronouncements not yet adopted*

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on January 1, 2017 or later. Updates that are not applicable or are not consequential to the Company have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the consolidated financial statements.

IFRS 2 – Share-based Payment (“IFRS 2”) was amended by the IASB in June 2016 to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. 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. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. 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.

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# Copper One Inc.

## Notes to the Consolidated Financial Statements

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### 2. Significant accounting policies (continued)

#### *New and future accounting pronouncements (continued)*

##### *Accounting pronouncements not yet adopted (continued)*

IFRIC 22 – Foreign Currency Transactions and Advance Consideration (“IFRIC 22”) was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognised in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IAS 7 – Statement of Cash Flows (“IAS 7”) was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017.

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. Earlier adoption is permitted.

### 3. Marketable securities

On August 22, 2013, the Company received 2,250,000 common shares of Cornerstone Metal Inc. At December 31, 2016, the quoted market value of these shares was \$78,750 (December 31, 2015 - \$11,250). An unrealized gain of \$67,500 was recorded for the year ended December 31, 2016 (December 31, 2015: loss of \$11,250).

Paul Cowley, a former director of the Company, is a director and officer of Cornerstone Metal Inc.

### 4. Receivables

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	December 31, 2016	December 31, 2015
Taxes receivable	\$ 43,621	\$ 31,306
	\$ 43,621	\$ 31,306

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# Copper One Inc.

## Notes to the Consolidated Financial Statements

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(Expressed in Canadian dollars)

### 5. Prepaid expenses

	December 31, 2016		December 31, 2015	
Prepaid insurance	\$	22,939	\$	1,384
Prepaid expenses		5,026		-
	\$	27,965	\$	1,384

### 6. Property and equipment

	Mining Equipment		Computer Software		Total
Net book value - December 31, 2014 & 2015	\$	-	\$	-	\$ -
Acquisition		8,085		2,500	10,585
Accumulated amortization		(135)		(69)	(204)
Net book value - December 31, 2016	\$	7,950	\$	2,431	\$ 10,381

### 7. Exploration and evaluation assets

The exploration and evaluation assets of the Company are comprised as follows:

	Rivière Doré \$	Queylus \$	Total \$
Balance, December 31, 2014	854,996	135,729	990,725
Impairment (b)	-	(135,729)	(135,729)
Balance, December 31, 2015 and 2016	854,996	-	854,996

#### (a) Rivière Doré

On November 30, 2011, the Company signed an agreement with Cartier Resources Inc. ("Cartier") to acquire 100% of the Rivière Doré Copper Nickel property ("Rivière Doré") located southeast of the town Val D'Or, Quebec. This agreement superseded the agreement signed with Cartier in January 2011. In consideration for a 100% interest in Rivière Doré, the Company paid \$150,000 in cash, issued 2,000,000 common shares of the Company with an estimated fair value of \$550,000 and granted a royalty of 1% of the net smelter return in connection with ore extracted from the Rivière Doré property. The Company is also committed to a 2% royalty payment of the net smelter return on 36 of its 1,052 existing claims on the property. This transaction closed on December 15, 2011.

The Company also agreed to pay to Cartier an amount equal to 2% of the net present value shown in a bankable feasibility study on Rivière Doré, payable in cash in three equal installments over the 18-month period from the commencement of commercial production on the Rivière Doré property.

The Rivière Doré property had been under suspension since July 4, 2011 as a result of discussions between the Company, government officials and the Algonquin Community of Barriere Lake in relation to the property.

On June 29, 2016, the Company announced that it has received a written notification from the Quebec Ministry of Energy and Natural Resources ("MERN") that effective June 28, 2016 all claims under suspension on the Company's Rivière Doré project had been lifted.

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# Copper One Inc.

## Notes to the Consolidated Financial Statements

December 31, 2016 and 2015  
(Expressed in Canadian dollars)

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### 7. Exploration and evaluation assets (continued)

On February 9, 2017, the Company received notification from MERN suspending all the Company's mining claims related to its Rivière Doré Project.

On February 21, 2017, the Company filed an appeal with the Court of Québec against the decision of MERN to suspend all mining claims related to its Rivière Doré Project. The Company strongly disagrees with MERN's decision to suspend its claims and will continue to exercise its legal rights.

#### (b) Queylus

On January 23, 2012, the Company entered into an agreement with Lounor Exploration Inc. ("Lounor") to acquire 100% of the Queylus copper gold property, located near the town of Chibougamau, Quebec. Under the terms of the purchase agreement, the Company acquired 100% of the Queylus property by paying \$23,750, issuing 475,000 common shares of the Company valued at \$61,750 and granting royalties ranging from 1% to 2% of the net smelter return in connection with ore extracted from certain claims comprising the property. In connection with the transactions contemplated under the purchase agreement, the Company entered into an agreement with SOQUEM Inc. ("SOQUEM") whereby SOQUEM agreed to renounce its right of first refusal over certain claims comprising the Queylus property in consideration for the Company paying \$2,500 and issuing to SOQUEM 50,000 shares of the Company valued at \$6,500. This transaction closed on August 7, 2012.

On February 8, 2012, the Company signed a purchase agreement with Diagnos Inc. ("Diagnos") to acquire a 100% interest in certain claims (the "Claims") contiguous to the Queylus copper gold property. Under the terms of the purchase agreement, the Company has acquired 100% of the Claims by paying \$10,000, issuing 175,000 common shares of the Company valued at \$52,500 and granting a royalty of 2% of the net smelter return in connection with ores and concentrates extracted from the property underlying the Claims. The purchase agreement provides that the Company has the right to reduce such royalty from 2% to 1% at any time by paying to Diagnos \$1,000,000 in cash.

The Company has allowed the Queylus claims to lapse. As at December 31, 2015, the Company wrote off \$135,729 related to the carrying value of Lounor claim.

### 8. Share Capital

#### Preferred Shares

Authorized: unlimited, without par value  
Issued and outstanding: nil preferred shares

#### Common Shares

Authorized: unlimited, without par value  
Issued and outstanding:

Effective October 23, 2015, the Company consolidated its common shares on the basis of one new common share for every ten common shares outstanding. All references to common shares, per share amounts, warrants and options for all periods presented have been retroactively restated to reflect this consolidation.

# Copper One Inc.

## Notes to the Consolidated Financial Statements

December 31, 2016 and 2015  
(Expressed in Canadian dollars)

### 8. Share Capital (continued)

	Number of Shares		Amount
<b>Balance, December 31, 2014 and 2015</b>	<b>6,853,385</b>	<b>\$</b>	<b>17,014,798</b>
Shares issued for debt settlement	8,601,923	\$	767,250
Shares issued through private placement	18,734,801		2,435,524
Fair value of warrants allocation			(1,119,374)
Share issued costs			(175,208)
<b>Balance, December 31, 2016</b>	<b>34,190,109</b>	<b>\$</b>	<b>18,922,990</b>

On January 11, 2016, the Company entered into a shares for debt agreement with Forbes & Manhattan, Inc. ("Forbes") and 2227929 Ontario Inc. ("2227929") wherein \$195,000 worth of debt was settled through the issuance of 3,900,000 common shares at a deemed price per share of \$0.05. The fair value market value of shares issued in the settlement of debts was \$156,000 based on the share price of the Company on the date the debt was settled. As a result, a gain of \$39,000 was recorded on the settlement of debt (2015: \$Nil).

On August 4, 2016, the Company closed a brokered private placement offering of 17,084,801 units for aggregate gross proceeds of \$2,221,024. Each unit consists of one common share of the Company and one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company at \$0.20 until August 4, 2018. In connection with the offering, the Company paid a cash fee of 7% of the proceeds from certain subscribers and issued 849,987 broker options. Each broker option is exercisable at a price of \$0.13 into one common share of the Company and one warrant until August 4, 2018. Each whole broker warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.20 until August 4, 2018. The issue date fair value of the warrants and broker options were estimated at \$1,023,336 and \$100,660, respectively using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 240%; risk-free interest rate of 0.54% and an expected life of 2 years. The Company incurred share issued costs of \$151,681 and warrant issued costs of \$129,600 in connection with the offering.

On August 17, 2016, the Company closed the second tranche of a brokered private placement offering of 1,650,000 units for aggregate gross proceeds of \$214,500. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share of the Company at \$0.20 until August 17, 2018. In connection with the offering, the Company paid a cash fee of 7% of the proceeds from certain subscribers and issued 115,500 broker options. Each broker option is exercisable at a price of \$0.13 into one common share of the Company and one warrant until August 17, 2018. Each whole broker warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.20 until August 17, 2018. The issue date fair value of the warrants and broker options were estimated at \$96,038 and \$13,251, respectively using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 220%; risk-free interest rate of 0.57% and an expected life of 2 years. The Company incurred share issued costs of \$19,971 and warrant issued costs of \$16,191 in connection with the offering.

Officers and directors of the Company (or entities controlled by them) subscribed for an aggregate of 3,172,308 units through the private placement financing.

A corporation with directors and officers in common with the Company subscribed for 846,154 units and 2227929 Ontario Inc. subscribed for 1,030,969 units.

# Copper One Inc.

## Notes to the Consolidated Financial Statements

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### 8. Share Capital (continued)

On August 19, 2016, the Company entered into a settlement agreement with Forbes to settle \$611,250 of debt through the issuance of 4,701,923 common shares of the Company at a deemed price of \$0.13 per common share. The Company incurred shared issued costs of \$3,556 in connection with the share for debt settlement. These shares were issued on October 11, 2016 upon receiving approval from TSXV. Forbes became a 19% security holder of the Company upon the share issuance for debt.

### 9. Share-based payments reserve

	Options			Warrants			Total
	Number of options	Weighted average exercise price	Estimated grant date fair value of options	Number of warrants	Weighted average exercise price	Estimated Grant Date Fair Value of warrants	
December 31, 2014	522,000	\$ 1.10	\$ 449,571	-	\$ -	\$ -	\$ 449,571
Vested	-	1.00	3,090	-	-	-	3,090
Expired	(45,000)	1.32	(43,544)	-	-	-	(43,544)
December 31, 2015	477,000	\$ 0.32	\$ 409,117	-	\$ -	\$ -	\$ 409,117
Granted	1,948,800	0.19	358,189	19,700,288	\$ 0.20	\$ 1,087,494	\$ 1,445,683
Expired	(49,000)	2.70	(83,316)	-	-	-	(83,316)
December 31, 2016	2,376,800	\$ 0.32	\$ 683,990	19,700,288	\$ 0.20	\$ 1,087,494	\$ 1,771,484

The Company has a stock-option plan whereby the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. Options granted under the plan will be for a term not to exceed 5 years.

During the year ended December 31, 2016, the Company recorded stock based compensation of \$358,189 (2015 - \$3,090) and expired unexercised stock options of \$83,316 (2015 - \$45,544) to deficit.

The following options were in existence at December 31, 2016:

Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	Grant date share price	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
25,000	25,000	06-Feb-2012	06-Feb-2017	3.50	51,434	3.00	92%	5	0	1.52%
35,000	35,000	22-Feb-2013	22-Feb-2018	1.00	27,807	1.00	111%	5	0	1.40%
358,000	358,000	14-May-2014	14-May-2019	0.70	239,860	0.70	120%	5	0	1.50%
10,000	10,000	03-Jul-2014	03-Jul-2019	0.70	6,700	0.50	120%	5	0	1.52%
1,948,800	1,948,800	11-Oct-2016	11-Oct-2021	0.19	358,189	0.19	190%	5	0	0.76%
2,376,800	2,376,800				683,990					

# Copper One Inc.

## Notes to the Consolidated Financial Statements

December 31, 2016 and 2015  
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### 9. Share-based payments reserve (continued)

Fair value of share options granted:

On October 11, 2016, the Company granted 1,948,800 stock options to various directors, officers and consultants of the Company to purchase shares of the Company at \$0.19 per option until October 11, 2021. Of the total options granted, 1,583,800 were granted to directors and officers of the Company.

Options issued by the Company are priced using the Black-Scholes option-pricing model. Where relevant, the expected life used in the model is adjusted based on managements' best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 5 years. The expected life of the option is calculated based on the history of option exercises. The weighted average remaining contractual life of the options exercisable at December 31, 2016 was 4.3 years (2015 – 2.96 years).

The following warrants were in existence at December 31, 2016:

Number outstanding	Number exercisable	Grant date	Expiry date	Exercise price	Fair value at grant date	Grant date share price	Expected volatility	Expected life (yrs)	Expected dividend yield	Risk-free interest rate
17,084,801	17,084,801	04-Aug-2016	04-Aug-2018	0.20	893,736	0.16	240%	2	0	0.54%
849,987	849,987	04-Aug-2016	04-Aug-2018	0.13	100,660	0.16	240%	2	0	0.54%
1,650,000	1,650,000	17-Aug-2016	17-Aug-2018	0.20	79,847	0.20	221%	2	0	0.57%
115,500	115,500	17-Aug-2016	17-Aug-2018	0.13	13,251	0.20	221%	2	0	0.57%
19,700,288	19,700,288				1,087,494					

### 10. Exploration and evaluation expenses

	Year ended December 31,	
	2016	2015
	\$	\$
Consulting	100,533	7,500
Government assistance	(31,377)	-
Legal	29,529	-
Travel & accomodation	7,803	-
Claims & maintenance	340	-
Field office and supplies	6,223	-
Truck rental	2,723	-
Total	115,774	7,500

### 11. Related party transactions and balances

During the twelve months ended December 31, 2016 and 2015, the Company entered into the following transactions in the ordinary course of business with related parties from accounting perspective that are not subsidiaries of the Company.

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# Copper One Inc.

## Notes to the Consolidated Financial Statements

December 31, 2016 and 2015  
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### 11. Related party transactions and balances (continued)

	Purchase of goods and services	
	Years ended December 31,	
	2016	2015
Forbes & Manhattan, Inc.	\$ 210,000	\$ 300,000
QMX Gold Corporation	22,931	-

Mr. Stan Bharti is the Executive Chairman of Forbes. The Company is part of the Forbes Group of Companies and continues to receive the benefits of such membership, including access to mining professionals, advice from Mr. Bharti, and strategic advice from the Forbes Board of Advisors. An administration fee of \$10,000 per month (January 2015 to June 2016 - \$25,000 per month) is charged by Forbes pursuant to a consulting agreement. As at December 31, 2016, the Company had a payable balance of \$Nil (December 31, 2015 - \$536,750) with Forbes. Such amounts are unsecured, non-interest bearing, with no fixed terms of payment and due on demand.

The Company shares its office space with QMX Gold Corporation ("QMX") located in Val-d'Or. During the year-ended December 31, 2016, \$22,931 was charged by QMX to the Company for rent and consulting expenses (2015 - \$Nil). As at December 31, 2016 the Company had a payable balance of \$13,861 (December 31, 2015 - \$Nil) with QMX. Such amounts are unsecured, non-interest bearing, with no fixed terms of payment and due on demand. Deborah Battiston, an officer of the Company, is an officer of QMX.

The Company shares its office space with other companies who may have officers or directors in common. The costs associated with this space, including the provision of office equipment and supplies, are administered by 2227929 Ontario Inc., to whom the Company pays a monthly fee. 2227929 Ontario Inc. does not have any officers or directors in common with the Company.

See Notes 3, 8 and 9.

#### Compensation of Key Management, Directors and Officers

The remuneration of directors and other members of key management personnel during the year ended December 31, 2016 and 2015 were as follows:

	Years ended December 31,	
	2016	2015
Short-term benefits	\$ 214,500	\$ 353,333
Share-based payments	291,102	3,090

At December 31, 2016, the Company had \$nil (December 31, 2015 - \$454,458) owing to its current and former key management, directors and officers. Such amounts are unsecured, non-interest bearing, with no fixed terms of payment or due on demand.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends. See Note 12.

# Copper One Inc.

## Notes to the Consolidated Financial Statements

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### 12. Commitments and contingencies

Contractual Obligations	Payments (Receipts) Due by Period		
	Total	Less than 1 Year	1 – 3 Years
Minimum commitment under management contracts (i)	\$ 251,000	\$ 251,000	\$ -
<b>Total</b>	<b>\$251,000</b>	<b>\$251,000</b>	<b>\$0</b>

- (i) The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to approximately \$807,000 be made upon the occurrence of certain events such as a change of control. As a triggering event has not taken place, the contingent payments have not been reflected in these consolidated financial statements. Additional minimum management contract commitments remaining under these contracts approximate \$251,000 due within one year.

The Company's exploration and evaluation 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. (See note 7)

### 13. Financial instruments

Financial assets and financial liabilities as at December 31, 2016 and 2015 were as follows:

	Loans and receivables	Assets at fair value through profit or loss	Total
<u>December 31, 2016</u>			
Cash and cash equivalents	\$ 1,205,519	\$ -	\$ 1,205,519
Held for trading marketable securities	-	78,750	78,750
Accounts payable and accrued liabilities	(131,755)	-	(131,755)
<u>December 31, 2015</u>			
Cash and cash equivalents	\$ 53,849	\$ -	\$ 53,849
Held for trading marketable securities	-	11,250	11,250
Accounts payable and accrued liabilities	(1,455,869)	-	(1,455,869)

The Company's risk exposure 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 for managing risk during the years ended December 31, 2016 and 2015.

The carrying values of cash, receivable and accounts payable and accrued liabilities reflected on the consolidated statements of financial position approximate fair value due to the limited terms of these instruments.

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# Copper One Inc.

## Notes to the Consolidated Financial Statements

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### 13. Financial instruments (continued)

#### Credit risk

The Company's credit risk is primarily attributable to cash and cash equivalents and receivables. The Company has no significant concentration of credit risk arising from operations. Financial instruments included in receivables consist of receivables from related and unrelated companies. Management believes that the credit risk concentration with respect to these financial instruments is remote.

#### Liquidity risk

The Company's approach to managing liquidity risk is to endeavor 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 \$1,205,519 (December 31, 2015 – \$53,849) to settle current liabilities of \$131,755 (December 31, 2015 - \$1,455,869). The Company's financial liabilities generally have contractual maturities of less than 30 days.

#### (a) Interest rate risk

The Company has cash balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade 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.

#### (b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars.

#### (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. The Company's future operations will be significantly affected by changes in the market prices for commodities. Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for commodities, the level of interest rates, the rate of inflation, and stability of exchange rates can all cause significant fluctuations in commodity prices. Such external economic factors may in turn be influenced by changes in international investment patterns, monetary systems and political developments.

#### Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the year.

- The Company does not hold interest bearing debt at interest rates subject to market fluctuations to give rise to interest rate risk.
- The Company does not hold significant cash balances in foreign currencies to give rise to foreign exchange risk.



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# Copper One Inc.

## Notes to the Consolidated Financial Statements

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### 13. Financial instruments (continued)

Liquidity risk (continued)

(d) Fair value

A fair value hierarchy prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the balance sheet. These have been prioritized into three levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Inputs for the asset or liability that are not based on observable market data.

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment.

At December 31, 2016, the Company's financial instruments that are carried at fair value, consist of marketable securities of which \$78,750 (December 31, 2015 – \$11,250) have been classified as Level 1 within the fair value hierarchy.

### 14. Management of capital risk

The Company considers its capital structure to consist of its cash and cash equivalents, common shares, stock options and warrants. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares and, acquire or dispose of assets.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with short term maturities, selected with regards to the expected timing of expenditures from continuing operations.

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 capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. The Company expects that its capital resources will be sufficient to discharge its liabilities as of the current statement of financial position date.

### 15. Income taxes

a) Provision for income taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2015- 26.5%) were as follows:

# Copper One Inc.

## Notes to the Consolidated Financial Statements

December 31, 2016 and 2015  
(Expressed in Canadian dollars)

### 15. Income taxes (continued)

a) Provision for income taxes (continued)

	2016	2015
	\$	\$
(Loss) before income taxes	(761,314)	(1,134,824)
Expected income tax recovery based on statutory rate	(202,000)	(301,000)
Adjustment to expected income tax benefit:		
Share-based payments	95,000	1,000
Expenses not deductible for tax purposes	(18,000)	2,000
Change in benefit of tax assets not recognized	125,000	298,000
Deferred income tax provision (recovery)	-	-

b) Deferred income taxes

	2016	2015
	\$	\$
Unrecognized deductible temporary differences		
Non-capital loss carry-forwards	7,630,000	7,197,000
Share issue costs	163,000	-
Exploration property costs	2,572,000	2,456,000
Unrealized losses on marketable securities	124,000	181,000
Capital loss carry-forwards	5,818,000	5,818,000

The tax losses expire from 2025 to 2036. The other temporary differences do not expire under current legislation.

Year of expiry	Amount
	\$
2025	118,000
2026	116,000
2027	354,000
2028	777,000
2029	1,038,000
2031	859,000
2032	706,000
2033	611,000
2034	1,633,000
2035	984,000
2036	434,000
	<u>7,630,000</u>

### 16. Subsequent events

Subsequent to December 31, 2016, 25,000 options with an exercise price of \$3.50 expired unexercised.

See Note 7.