AMI Resources Inc.

# Interim Consolidated Financial Statements

# Nine Month Period Ended

# November 30, 2016

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# Table of Contents

**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 an auditor has not reviewed the financial statements.

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 Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**AMI RESOURCES INC.**
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**
Expressed in Canadian Dollars

| | Note | **November 30, 2016** | February 29, 2016 |
|---|---|---|---|
| **ASSETS** | | **$** | $ |
| **Current assets** | | | |
| Cash | | **62,998** | 18,927 |
| Other receivables | | **4,901** | 1,954 |
| Prepaid expenses | | **1,443** | |
| | | **69,342** | 20,881 |
| **Non-current assets** | | | |
| Exploration and evaluation assets | 5 | **405,053** | 309,931 |
| **TOTAL ASSETS** | | **474,395** | 330,812 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | | **15,161** | 72,784 |
| Due to related parties | 7 | **-** | 98,354 |
| | | **15,161** | 171,138 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 6 | **9,406,661** | 9,062,492 |
| Reserves | 6 | **3,739,050** | 3,675,477 |
| Accumulated deficit | | **(12,686,477)** | (12,578,295) |
| | | **459,234** | 159,674 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **474,395** | 330,812 |

*The accompanying notes are integral to these interim consolidated financial statements.*

COMMITMENTS (Notes 5 & 7)
SUBSEQUENT EVENT (Note 8)

**Approved on Behalf of the Board of Directors:**

| | |
|---|---|
| /s/ Ryan Cheung | /s/ William Pettigrew |
| Director | Director |

**AMI RESOURCES INC.**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
Expressed in Canadian Dollars

| | Share Capital | | Reserves | | | |
|---|---|---|---|---|---|---|
| | Number of Shares | Amount | Equity settled benefits | Warrants | Accumulated Deficit | Total |
| | | $ | $ | $ | $ | $ |
| **Balance, February 28, 2015** | **12,734,197** | **8,964,530** | **2,187,512** | **1,367,414** | **(12,365,561)** | **153,895** |
| Private placement | 8,000,000 | 160,000 | - | - | - | 160,000 |
| Stock-based compensation | - | - | 60,063 | | | 60,063 |
| Loss for the period | - | - | - | - | (179,494) | (179,494) |
| **Balance, November 30, 2015** | **20,734,197** | **9,124,530** | **2,247,575** | **1,367,414** | **(12,545,055)** | **194,464** |
| | | | | | | |
| **Balance, February 29, 2016** | **20,734,197** | **9,062,492** | **2,247,575** | **1,427,902** | **(12,578,295)** | **159,674** |
| Private placement | 7,000,000 | 350,000 | - | - | - | 350,000 |
| Private placement costs | - | (5,831) | - | - | - | (5,831) |
| Stock-based compensation | - | - | 63,573 | - | - | 63,573 |
| Net loss for the period | - | - | - | - | (108,182) | (108,182) |
| **Balance, November 30, 2016** | **27,734,197** | **9,406,661** | **2,311,148** | **1,427,902** | **(12,686,477)** | **459,234** |

*The accompanying notes are integral to these interim consolidated financial statements.*

**AMI RESOURCES INC.**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
Expressed in Canadian Dollars

| | Note | Three Months Ended **Nov. 30, 2016** | Three Months Ended Nov. 30, 2015 | Nine Months Ended **Nov. 30, 2016** | Nine Months Ended Nov. 30, 2015 |
|---|---|---|---|---|---|
| | | **$** | $ | **$** | $ |
| **EXPENSES** | | | | | |
| Consulting | | - | 7,500 | **-** | 22,500 |
| Interest expense | | **-** | | **-** | 297 |
| Investor relations | | **-** | 2,257 | **1,336** | 4,846 |
| Management fees | 7 | **15,000** | 10,500 | **35,244** | 25,500 |
| Office and general | | **4,094** | 8,267 | **17,620** | 18,379 |
| Professional fees | 7 | **14,269** | 7,500 | **23,590** | 33,100 |
| Stock-based compensation | 6 | **-** | 60,063 | **63,573** | 60,063 |
| Transfer agent and filing fees | | **784** | 243 | **5,427** | 13,726 |
| Travel and promotion | | **-** | 104 | **-** | 208 |
| **Operating losses before other items** | | **34,147** | 96,434 | **146,790** | 178,619 |
| ***Other items*** | | | | | |
| Debt forgiveness | | **(901)** | - | **(37,272)** | - |
| Foreign exchange loss (gain) | | **(33,720)** | 674 | **(1,336)** | 875 |
| **COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD** | | **473** | (97,108) | **(108,182)** | (179,494) |
| **Weighted Average Number of Shares Outstanding** | | **27,734,197** | 20,734,197 | **25,137,833** | 19,385,106 |
| **Basic Earnings (Loss) Per Share** | | **0.00** | (0.00) | **(0.00)** | (0.01) |

*The accompanying notes are integral to these interim consolidated financial statements.*

**AMI RESOURCES INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOW**
Expressed in Canadian Dollars

| | Nine Months Ended November 30, 2016 | November 30, 2015 |
|---|---|---|
| | **$** | $ |
| **CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES** | | |
| **Net income (loss) for the period** | **(108,182)** | (179,494) |
| Items not involving cash: | | |
| Impairment of mineral property | **-** | - |
| Stock-based compensation | **63,573** | 60,063 |
| Changes in non-cash working capital items: | | |
| Prepaid expense | **(1,443)** | - |
| Other receivables | **(2,947)** | (2,478) |
| Accounts payable and accrued liabilities | **(163,890)** | 31,465 |
| Due to related parties | **7,913** | - |
| | **(204,976)** | (90,444) |
| **CASH FLOWS USED IN INVESTING ACTIVITIES** | | |
| Exploration and evaluation assets | **(95,122)** | (13,335) |
| **CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES** | | |
| Gross processed from private placement | **350,000** | 160,000 |
| Related party loan repayments | **(5,831)** | (50,000) |
| | **344,169** | 110,000 |
| **Net increase (decrease) in cash** | **44,071** | 6,221 |
| **Cash, beginning of period** | **18,927** | 6,836 |
| **Cash, end of period** | **62,998** | 13,057 |
| **Supplemental information:** | | |
| Interest paid | **-** | - |
| Income taxes paid | **-** | - |

*The accompanying notes are integral to these interim consolidated financial statements.*

## 1. NATURE OF OPERATIONS

AMI Resources Inc. (the "Company" or "AMI") through its wholly-owned subsidiary AMI Africa Exploration Ltd. ("AMI Africa"), both resident Canadian companies, and its wholly owned Ghanaian subsidiary Ashanti Sankofa Limited ("Ashanti") is engaged primarily in gold exploration activity in West Africa.

The head office and the principal address of the Company are located at 12216 Boundary Drive North, Surrey, British Columbia, Canada, V3X 1Z5 and the records office and registered office is located at Suite 1780 - 400 Burrard Street, Vancouver, British Columbia, V6C 3A6, Canada.

The Company holds several mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at November 30, 2016, the Company had a working capital of $54,181, had not advanced its mineral properties to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations and ongoing operating losses. These uncertainties cast a significant doubt on the ability of the Company to continue operations as a going concern. Management intends to finance operating costs over the next twelve months with loans from directors and companies controlled by directors and/or private placement of common shares. These financial statements do not include any adjustments that might result from this uncertainty.

## 2. BASIS OF PRESENTATION

### Statement of compliance

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

The consolidated financial statements were authorized for issue by the Board of Directors on January 18, 2017.

### Basis of preparation

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The financial statements are presented in Canadian dollars unless otherwise noted.

### Significant estimates and assumptions

The preparation of financial statements in accordance with IFRS requires the Company to make estimates and assumptions concerning the future. The Company's management reviews these estimates and underlying assumptions on an ongoing basis, based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are adjusted for prospectively in the period in which the estimates are revised.

Estimates and assumptions where there is significant risk of material adjustments to assets and liabilities in future accounting periods include the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments, and the recoverability and measurement of deferred tax assets.

**Significant judgments**
The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include: the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; the classification/allocation of expenditures as exploration and evaluation expenditures or operating expenses; and the classification of financial instruments.

## 3. SIGNIFICANT ACCOUNTING POLICIES

**Basis of consolidation**
The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries. The financial statement of the subsidiary is included in the consolidated financial statements from the date that control commenced until the date that control ceases. All inter-company balances and transactions have been eliminated.

**Foreign currency transactions**
These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The Company's wholly-owned subsidiary AMI Africa's functional currency is also Canadian dollars. The Company's wholly-owned subsidiary Ashanti's functional currency is the Ghanaian Cedi.

Transactions in currencies other than the functional currency of each entity 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 year.

The financial position and results of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at the reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recorded in accumulated other comprehensive loss in the statement of comprehensive income. These differences are recognized in profit or loss in the period in which the operation is disposed. To November 30, 2016, there is no translation of foreign operations.

**Exploration and evaluations assets and equipment**

*i) Exploration and evaluation expenditures*
The Company may hold interests in mineral property interests in various forms, including prospecting licenses, exploration and exploitation concessions, mineral leases and surface rights, and property options. The Company capitalizes payments made in the process of acquiring legal title to these properties. Mineral property interest acquisition costs are recorded at historical cost. Exploration and evaluation expenditures incurred on properties prior to obtaining legal rights to explore the specific area are charged to operations as incurred.

The carrying values of exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The carrying value of equipment is reviewed for indications of impairment at each reporting date. When impairment indicators exist, the asset's recoverable amount is estimated. If it is determined that the estimated recoverable amount is less than the carrying value of an asset, then a write-down is made with a charge to operations.

An impairment loss is reversed if there is indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment loss had been recognized.

*ii) Equipment*

Equipment is stated at cost less accumulated amortization and accumulated impairment losses. Estimates of residual values, useful lives and methods of amortization are reviewed each reporting year, and adjusted prospectively if appropriate.

**Income taxes**

Current income tax:

Current income tax assets and liabilities for the current period 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 reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax:

Deferred income tax is recognized, using the asset and liability method, on temporary differences at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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 by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

**Restoration and environmental obligations**
The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to the related asset along with a corresponding increase in the restoration 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 Company's estimates of restoration 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 the related asset with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates. The Company currently has no measurable obligations for restoration and environmental costs.

**Share-based payments**
The Company grants stock options to buy common shares of the Company through its stock option plan as described in Note 6. The Company accounts for share-based payments using the fair value method. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black–Scholes Option Pricing Model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The Company grants stock options that are subject to various vesting terms. Under IFRS, the fair value of each instalment of the award is considered a separate grant based on the vesting period with the fair value of each instalment determined separately and recognized as compensation expense over the term of its respective vesting period.

**Financial Instruments**
The Company classifies financial instruments in the following categories: at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired or issued. Management determines the classification of its financial instruments at initial recognition.

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They would be included in current assets, except for maturities greater than 12 months after the end of the reporting period. These would be classified as non-current assets. The Company has classified cash and amounts receivable as loans and receivables

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments would be included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. The Company has no held-to-maturity investments.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to maturity investments and are subsequently measured at fair value. These are included in current assets to the extent they are expected to be realized within 12 months after the end of the reporting period. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

Accounts payable and accrued liabilities, loans and due to related parties are classified as other liabilities at amortized cost. The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instruments.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired. Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends to either settle on a net basis or to realize the assets and settle the liability simultaneously.

The Company does not have any material derivative financial assets and liabilities.

The fair value of the Company's financial assets and liabilities approximates the carrying amount.

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

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

Expressed in Canadian Dollars

**Income (Loss) per share**
Basic income (loss) per share is calculated by dividing the net earnings available to common shareholders divided by the weighted average number of common shares outstanding during the year. The diluted earnings per share are calculated based on the weighted average number of common shares outstanding during the year, plus the effects of the dilutive common share equivalents. This method requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. This method assumes that all common share equivalents have been exercised at the beginning of the year (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the year.

**Future Accounting Policy Changes**

***New standard IFRS 9 "Financial Instruments"***
This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". 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.

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. The Company is currently assessing the impact this new standard will have on its financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

## 4. FINANCIAL AND CAPITAL RISK MANAGEMENT

| | Ref. | **November 30, 2016** | February 29, 2016 |
|---|---|---|---|
| | | **$** | $ |
| Other financial assets | a | **67,899** | 20,881 |
| Other financial liabilities | b | **15,161** | 171,138 |

a. Comprises cash and sales tax receivables.
b. Comprises accounts payable, related party loans, and due to related parties (Note 7).

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying values.

**Management of Industry and Financial Risk**

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations.

The Company's financial instruments are exposed to certain financial risks, which include the following:

***Credit risk***
Credit risk is the risk of loss due to the counterparty's inability to meet its obligations. The Company's exposure to credit risk is on its cash and other receivables. Risk associated with cash is managed through the use of major banks which are high credit quality financial institutions as determined by rating agencies. Other receivables comprise sales tax refunds from the Canadian federal government.

***Liquidity risk***
Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations when they become due. The Company ensures that there is sufficient capital in order to meet short-term operating requirements, after taking into account the Company's holdings of cash. The Company's cash are held in corporate bank accounts available on demand. Liquidity risk has been assessed as being high.

***Market Risk***
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

***Currency Risk***
The Company is subject to normal market risks including fluctuations in foreign exchange rates and interest rates. While the Company manages its operations in order to minimize exposure to these risks, the Company has not entered into any derivatives or contracts to hedge or otherwise mitigate this exposure.

***Interest Rate Risk***
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk relating to its related party balances (Note 7).

***Price Risk***
The Company is exposed to price risk with respect to equity prices. Price risk as it relates to the Company is defined as the potential adverse impact on the Company's ability to raise financing due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

***Capital management***
The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of components of shareholders' equity. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

Expressed in Canadian Dollars

## 5. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets comprise projects located in West Africa.

| | Niger – Deba & Tialkam | Niger – Boksay | North Ashanti - Anuoro | Total |
|---|---|---|---|---|
| | $ | | $ | $ |
| **Balance at February 28, 2015** | **-** | **-** | **277,238** | **277,238** |
| Additions – exploration costs | - | - | 32,693 | 32,693 |
| Impairment | - | - | - | - |
| **Balance at February 29, 2016** | **-** | **-** | **309,931** | **309,931** |
| Additions – exploration costs | - | - | 95,122 | 95,122 |
| **Balance at November 30, 2016** | **-** | **-** | **405,053** | **405,053** |

### Niger Gold Project

**Deba & Tialkam**
On September 11, 2009, as amended April 23, 2012, the Company entered into a three-year option agreement with Golden Star Resources Ltd. ("GSR") to acquire a 51% earned interest in the GSR property located in Niger.

This option earn-in agreement was superseded by the June 2013 Option Agreement Restructuring Deed and the September 2013 Deed of Amendment regarding the June 2013 Option Agreement Restructuring Deed.

**Middle Island Resources Inc. ("MDI") and AMI Option Earn-In Agreement**
In October 2012, the Company entered into an Option Earn-in Agreement with MDI, a public company listed on the Australian Stock Exchange. Under the Option Earn-in Agreement, MDI has the right to earn an initial 51% interest in all of the Company's assets in Niger including the Company's interest under the Golden Star Resources Ltd. option agreement dated September 2009.

**Option Agreement Restructuring Deed and Deed of Amendment between AMI, MDI and GSR**
In June 2013 and September 2013 the Company, MDI and GSR restructured the September 2009 GSR & AMI Option Agreement, whereby MDI will assume full ownership upon renewal of the Deba and Tialkam permits in exchange for MDI agreeing to pay to each AMI and GSR a 1.5% Net Smelter Royalty ("NSR") on gold produced from all ground within the Deba and Tialkam permits, should the Deba and Tialkam permits be renewed or granted to MDI. MDI has an option to purchase each NSR royalty for US$1.5 million. The period during which each royalty option may be exercised by MDI shall be one year from the date of commencement of mining operations on the Deba and Tialkam permits.

**MDI and AMI Option Earn-In Agreement Restructuring Deed and Deed of Amendment**
In June 2013 and September 2013, MDI and the Company entered into an agreement to restructure the October 2012 Option Earn-In Agreement between MDI and AMI. In consideration for AMI agreeing to enter into this Option Earn-In Restructuring Deed MDI was to make two cash payments totaling US150,000. The first cash payment was due within 14 days of the new tenement being granted on the Deba and Tialkam licenses and the second cash payment was due within 90 days of the new tenement grant date. The Niger government has denied the renewal of the Deba and Tialkam tenements and therefore no funds have been received from MDI. MDI appealed the decision by the Niger government but did not receive a response and has since abandoned its efforts. On January 11, 2016 Middle Island and AMI executed a Deed of Termination of the Earn-In Agreement.

**Impairment of Niger Gold Project**
As the Deba and Tialkam tenements could not be renewed and capitalized costs recovered, the Company impaired the remaining carry cost of the project to $Nil at February 28, 2015.

**Boksay Permit**
Under application by the Company, the Government of Niger granted the 340 sq km Boksay permit to the Company on October 24, 2011. The Company has allowed the Boksay permit to expire.

**North Ashanti Gold Project**

The North Ashanti Gold Project consists of the 65 km$^2$ Anuoro license and the 33 km$^2$ Beposo license. AMI Africa and Ashanti are the registered holders of these two prospecting licenses, which are subject to a 10% carried interest held by the government of the Republic of Ghana.

***Anuoro***
AMI Africa was granted the 128.9 sq km Anuoro Concession on September 28, 2005. On December 14, 2009, AMI Africa received a 24-month extension from the Minister of Mines on its Anuoro prospecting license. In March 2012 the Company shed half of the license in accordance with Ghana's Mining Act and on June 5, 2012 the Minerals Commission recommended a two year renewal of the retained 64.99 sq km license upon payment of the US$20,000 renewal fee, which was paid. In-order to comply with Ghana's Mining Act 2006, AMI Africa incorporated a Ghanaian subsidiary AMI Africa Ghana, which later changed its name to Ashanti Sankofa Limited. AMI Africa then assigned the Anuoro license to Ashanti. On May 9, 2014 Ashanti received a letter from the Ministry of Lands and Natural Resources stating the Anuoro license has been renewed until May 9, 2016. On April 6$^{th}$, 2016 Ashanti submitted the required renewal documentation to the Minerals Commission requesting an extension for the Anuoro license. Ashanti has yet to receive the extension however, management believes it will be renewed for a minimum term of one year.

Due to the adverse market conditions for junior exploration companies the Company recorded an impairment of $1,547,210 on the Anuoro license for the fiscal year ended February 28, 2014.

***Beposo***
AMI Africa was granted the 33.35 sq km Beposo Concession on April 22, 2004. The Beposo license was a consolidation of three previous licenses (Ankasi, Adumasa & Pemenase) held since 1997. The Beposo license contains an at surface NI 43-101 qualified gold resource of approximately 230,000 ounces in two main zones. AMI Africa has received several extensions of the Beposo license and has held EPA permits for exploration work on the Beposo license. In 2007, the Minerals Commission in conjunction with the EPA imposed a 6 to 10 km non-economic zone around Lake Botsumtwi, which encompasses the area of the Company's gold resource. In response to the EPA's decision a Writ of Summons was filed on May 13$^{th}$ 2011 in the High Court of Justice seeking compensation for the loss of the Company's gold resource. In October 2014, the Company was advised by its legal counsel that the High Court of Justice – Commercial Division had ruled against the Company. The Company, after consultations with its Ghanaian counsel, had filed an appeal of this decision on a contingency fee basis with counsel. However, as a result of ongoing communication between the Company and the Minerals Commission, the Company has advised its legal counsel to suspend its appeal in hopes of reaching an agreement to have the Beposo license re-instated by the government.

As at February 28, 2014, an impairment of $2,578,525 has been taken with respect to the Beposo concession.

**Kutcho Creek Property**

The Company previously held a 20% interest in a 2% Net Smelter Royalty on the Kutcho Creek property in Northern British Columbia. On April 3, 2014 the Company entered into a Settlement, Assignment and Assumption Agreement with RG Exchangeco Inc. (formerly RGLD Gold Canada Inc.), whereby the Company assigned all of its 20% interest in exchange for $218,060 (US$200,000), which was received in April, 2014 and has been included in the Statement of Comprehensive Income (Loss).

## 6. EQUITY AND RESERVES

**Share Capital**

Authorized share capital of the Company consists of an unlimited number of fully paid common shares without par value.

***For the period ended November 30, 2016***
On June 10, 2016, the Company closed a non-brokered private placement of 7,000,000 units at a price of $0.05 per unit for gross proceeds of $350,000. Each unit comprises one common share and one share purchase warrant exercisable at $0.05 per share for a period of twenty-four months from the date of closing. $5,831 of direct legal fees associated with this private placement was paid.

***For the year ended February 29, 2016***
The Company closed a private placement for gross proceeds of $160,000 by issuing 8,000,000 units through two tranches comprising 5,000,000 units on March 31, 2015 and 3,000,000 units on May 11, 2015. Each unit comprises one common share and one share purchase warrant exercisable at $0.05 per share which expires twenty four months from the date of closing.

**Stock Options**

***Stock-Option Plan***
The Company has a stock option plan, approved by the Board of Directors (the "Board") and by the shareholders at the annual general meeting held on December 4, 2014, that allows the Company to grant incentive stock options to its directors, officers, employees and consultants. The maximum number of shares reserved for issuance under the plan are 2,546,839. The exercise price, term (not to exceed ten years) and vesting provisions are authorized by the Board at the time of the grant and the Stock Option Plan. Stock options granted to a consultant performing investor relations activity shall vest over a minimum of twelve months with no more than ¼ of such options vesting in any three month period.

On October 31, 2015, the Company granted 1,500,000 stock options to directors, officers and consultants. 1,000,000 stock options have an exercise price of $0.05 per share and expire five years from the date of grant while the remaining 500,000 stock options have an exercise price of $0.15 per share and expire five years from date of grant. The stock options have a fair value of $60,063.

On May 20, 2015, the Company granted 1,100,000 stock options to directors, officers and consultants. 600,000 stock options have an exercise price of $0.05 per share and expire five years from the date of grant while the remaining 500,000 stock options have an exercise price of $0.15 per share and expire five years from date of grant. The stock options have a fair value of $49,829.

On June 30, 2016, the Company granted 200,000 to a director of the Company with an exercise price of $0.06 per share and expire five years from the date of grant. The stock options have a fair value of $13,744.

Expressed in Canadian Dollars

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the fiscal year ended February 28 and February 29 respectively:

| | **2017** | **2016** |
|---|---|---|
| Share price | $0.05 | $ 0.05 |
| Risk-free interest rate | 0.83% | 0.83% |
| Expected life of options | 5.0 | 5.0 |
| Annualized volatility | 112.06% | 123.62% |
| Dividend rate | - | - |
| Forfeiture rate | - | - |

Stock option transactions are summarized as follows:

| | **Number of Options** | **Weighted Average Exercise Price** | **Weighted Average Life Remaining (Years)** | **Weighted Average Grant Date Fair Value** |
|---|---|---|---|---|
| | | $ | | $ |
| **Balance, February 28, 2015 and 2014** | 250,000 | 1.00 | 0.03 | 0.615 |
| Granted | 1,500,000 | 0.08 | 5.00 | 0.04 |
| Expired | (250,000) | - | - | - |
| **Balance, February 29, 2016** | 1,500,000 | 0.08 | 4.68 | 0.04 |
| Granted | 1,300,000 | 0.10 | 5.00 | 0.45 |
| Expired | (100,000) | - | - | - |
| **Balance, November 30, 2016** | 2,700,000 | 0.09 | 4.15 | 0.0425 |

As at November 30, 2016, the following options were outstanding and exercisable:

| **Number of Options** | **Exercise Price** | **Expiry Date** |
|---|---|---|
| 900,000 | $0.05 | October 31, 2020 |
| 500,000 | $0.15 | October 31, 2020 |
| 600,000 | 0.05 | May 20, 2021 |
| 500,000 | 0.15 | May 20, 2021 |
| 200,000 | 0.06 | June 30, 2021 |

***Equity settled benefits reserve***

Equity settled benefits reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount remains in reserves.

**Share Purchase Warrants**

The warrants reserve records items recognized as the value of warrants until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount remains in reserves.

Expressed in Canadian Dollars

On June 10, 2016, the Company granted 7,000,000 share purchase warrants as part of the $350,000 private placement. The warrants expire two years from the grant date and are exercisable at $0.05 per share. The fair market value of these warrants has been deemed as $NIL as at the date of grant.

On March 31, 2015 and May 11, 2015, the Company issued 5,000,000 and 3,000,000 share purchase warrants, respectively in connection with the $160,000 private placement. Each warrant is exercisable at $0.05 per share with a two year expiry from date of grant. The fair market value of these share purchase warrants was estimated to $60,488 and is included in reserves with a corresponding reclassification from share capital.

The following weighted average assumptions were used for the Black-Scholes valuation of these share purchase warrants granted during the year:

| | **2016** |
|---|---|
| Share price | $ 0.02 |
| Risk-free interest rate | 0.47% |
| Expected life of options | 2.0 |
| Annualized volatility | 112% |
| Dividend rate | - |
| Forfeiture rate | - |

Warrant transactions are summarized as follows:

| | **Number of Warrants** | **Weighted Average Exercise Price** | **Weighted Average Life Remaining (Years)** |
|---|---|---|---|
| | | $ | |
| **Balance, February 28, 2015 and 2014** | - | - | - |
| Granted | 8,000,000 | 0.05 | 2.00 |
| Expired | - | - | - |
| **Balance, February 29, 2016** | 8,000,000 | 0.05 | 0.33 |
| Granted | 7,000,000 | 0.05 | 0.83 |
| **Balance, November 30, 2016** | 15,000,000 | 0.05 | 0.91 |

As at November 30, 2016, the following warrants were outstanding:

| **Number of Warrants** | **Exercise Price** | **Expiry Date** |
|---|---|---|
| 5,000,000 | $0.05 | April 1, 2017 |
| 3,000,000 | $0.05 | May 11, 2017 |
| 7,000,000 | $0.05 | June 10, 2018 |

## 7. RELATED PARTY TRANSACTIONS

The value of transactions and outstanding balances relating to key officers and directors and entities over which they have control or significant influence were as follows:

The Company incurred $39,000 USD (November 30, 2015 - $NIL) of geologist fees to the Chief Executive Officer and director of the Company for services performed. As at November 30, 2016, $NIL (May 31, 2015 - $NIL) of fees remains unpaid. The Company has an agreement with this party for fees of US$6,000 per month commencing July 2016. All fees paid have been capitalized to exploration and evaluation expenditures.

The Company incurred $22,500 (November 30, 2015 - $25,500) of management fees to a company controlled by the Chief Financial Officer and director for services performed. As at November 30, 2016, $NIL (February 29, 2016 - $4,504) of management fees remains unpaid and $5,000 in previously accrued debt was forgiven in the current period.

The Company incurred $12,744 (November 30, 2015 - $NIL) of management fees to the Chief Operating Officer and director for services performed.

The Company incurred $13,821 (November 30, 2015 - $22,500) of professional fees to a company controlled by a director for accounting services performed. As at November 30, 2016, $NIL (February 29, 2016- $3,750) of professional fees remains unpaid and $7,035 in previously accrued debt was forgiven in the current period.

In June 2013, the Company entered into a loan transaction to borrow $100,000 from Lexus Gold Corp. which is a British Columbia company controlled by one director and one former director of the Company. The loan was due in one year, with annual interest payable calculated using the Bank of Montreal prime rate plus 4%. A bonus of 400,000 common shares was issued to Lexus Gold Corp. The loan was also secured by the Company's future property recoveries and its ownership in Ashanti. At February 28, 2015, $50,000 of the loan remained outstanding as well as interest of $8,553. During the year ended February 29, 2016, the loan was fully repaid including accrued interest of $8,553.

Unless otherwise noted, all related party balances are unsecured, non-interest bearing with no fixed terms of repayment.