

**EQUITORIAL EXPLORATION CORP.**  
**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2016 AND 2015**  
**(Unaudited – Prepared by Management)**

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**NOTICE – NO Auditor Review of the Consolidated Interim Financial Statements**

The accompanying unaudited consolidated interim financial statements of Equitorial Exploration Corp. (“the Company”), for the nine months ended September 30, 2016 have been prepared by management and have not been the subject of a review by the Company’s external independent auditor.

**Equitorial Exploration Corp.**  
**Consolidated Statements of Financial Position**  
**(Expressed in Canadian dollars)**

	September 30 2016	December 31 2015
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property acquisition costs (Note 6)	1,021,777	591,777
	<u>1,021,777</u>	<u>591,777</u>
<b>Current</b>		
Prepaid (Note 9)	49,718	59,593
Due from a related party (Note 9)	-	684
Accounts receivable (Note 5)	8,832	7,700
Marketable securities (Note 11)	1,774,275	4,318,323
Cash and cash equivalents	113,665	4,172
	<u>1,946,490</u>	<u>4,390,472</u>
<b>Total assets</b>	<b>\$ 2,968,267</b>	<b>\$ 4,982,249</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable	\$ 157,822	\$ 150,223
Accrued liabilities	-	14,000
Due to related parties (Note 9)	603,574	696,605
	<u>761,396</u>	<u>860,828</u>
<b>Shareholders' equity</b>		
Share capital (Note 7)	6,798,995	6,468,995
Contributed surplus (Note 8)	628,512	574,446
Deficit	(5,021,664)	(2,762,519)
	<u>2,405,843</u>	<u>4,280,922</u>
<b>Non-controlling interest</b>	<b>(198,972)</b>	<b>(159,501)</b>
	<u>\$ 2,968,267</u>	<u>\$ 4,982,249</u>

Nature of Operations (Note 1)

Subsequent Events (Note 13)

Approved on behalf of the Board on November 29, 2016:

"Jack Bal"  
Signed

"Binny Jassal"  
Signed

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

**Equitorial Exploration Corp.**  
**Consolidated Interim Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian dollars)**

	<b>Three Months Ended September 30, 2016</b>	<b>Three Months Ended September 30, 2015</b>	<b>Nine Months Ended September 30, 2016</b>	<b>Nine Months Ended September 30, 2015</b>
<b>Expenses</b>				
Accounting and audit (Note 9)	\$ 9,000	\$ 9,000	\$ 27,000	\$ 33,750
Bank charges	88	277	318	1,453
Consulting fees (Note 9)	57,691	41,527	158,984	127,312
Filing fees	5,175	1,807	15,589	14,450
Foreign exchange	-	(63)	-	(390)
Interest expenses	-	5,555	-	10,647
Legal	13,170	2,670	30,398	18,971
Office expenses	1,001	875	1,218	1,921
Rent (Note 9)	1,500	13,119	4,500	41,041
Stock options	54,066	-	54,066	-
Shareholder's information	60,467	37,296	141,878	125,417
Transfer agent fees	1,996	1,466	11,914	7,735
Travel	8,842	72	8,842	178
	<b>212,996</b>	<b>113,601</b>	<b>454,707</b>	<b>382,485</b>
<b>Net loss before other income</b>	<b>(212,996)</b>	<b>(113,601)</b>	<b>(454,707)</b>	<b>(382,485)</b>
<b>Other income</b>				
Loss from investment in associate (Note 10)	-	(107,366)	-	(273,567)
Recovery in rent	-	-	9,013	-
Loss on disposal on marketable securities (Note 11)	(1,219)	-	(582,087)	-
Fair value changed for marketable securities (Note 11)	154,001	-	(1,270,838)	-
Interest income	-	113	3	263
<b>Loss and comprehensive loss for the period</b>	<b>\$ (60,214)</b>	<b>\$ (220,854)</b>	<b>\$ (2,298,616)</b>	<b>\$ (655,789)</b>
<b>Loss and comprehensive loss attributable to non-controlling interest</b>	<b>-</b>	<b>(194)</b>	<b>39,471</b>	<b>13,725</b>
<b>Loss and comprehensive loss attributable to shareholders of the Company</b>	<b>\$ (60,214)</b>	<b>\$ (221,048)</b>	<b>\$ (2,259,145)</b>	<b>\$ (642,064)</b>
<b>Loss per share – basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.04)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of shares outstanding</b>	<b>55,024,310</b>	<b>39,783,385</b>	<b>53,515,345</b>	<b>38,552,353</b>

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

Equitorial Exploration Corp.  
Consolidated Interim Statements of Changes in Shareholders' Equity  
(Expressed in Canadian dollars)

	Number of Shares	Share Capital & Shares subscribed	Contributed Surplus	Deficit	Shareholders' Equity	Non- controlling interest
<b>Balance, December 31, 2014</b>	<b>34,276,908</b>	<b>\$ 4,992,499</b>	<b>\$ 462,187</b>	<b>\$ (2,579,191)</b>	<b>\$ 2,875,495</b>	<b>\$ 89,877</b>
Private placements – net	6,841,506	734,755	-	-	734,755	-
Fair value of brokers warrants issued	-	(14,823)	14,823	-	-	-
Exercise of warrants	56,625	6,795	-	-	6,795	-
Investment from non-controlling interest	-	-	-	-	-	(13,725)
Loss for the period	-	-	-	(642,064)	(642,064)	-
<b>Balance, September 30, 2015</b>	<b>41,175,039</b>	<b>5,719,226</b>	<b>477,010</b>	<b>(3,221,255)</b>	<b>2,974,981</b>	<b>76,152</b>
Shares subscribed in 2014 but issued in 2015	-	(134,975)	-	-	(134,975)	-
Private placements – net	9,827,532	608,210	-	-	608,210	-
Exercise of options	1,750,000	150,000	-	-	150,000	-
Fair value of options exercised	-	135,407	(135,407)	-	-	-
Fair value of brokers warrants issued	-	(13,403)	13,403	-	-	-
Fair value of warrants exercised	-	4,530	(4,530)	-	-	-
Fair value of stock options granted	-	-	223,970	-	223,970	-
Investment from non-controlling interest	-	-	-	-	-	(235,653)
Loss for the period	-	-	-	458,736	458,736	-
<b>Balance December 31, 2015</b>	<b>52,752,571</b>	<b>\$ 6,468,995</b>	<b>\$ 574,446</b>	<b>\$ (2,762,519)</b>	<b>\$ 4,280,922</b>	<b>\$ (159,501)</b>
Shares issued pursuant to property agreement	5,000,000	300,000	-	-	300,000	-
Finder's fee pursuant to property agreement	500,000	30,000	-	-	30,000	-
Fair value of stock options granted	-	-	54,066	-	54,066	-
Investment from non-controlling interest	-	-	-	-	-	(39,471)
Loss for the period	-	-	-	(2,259,145)	(2,259,145)	-
<b>Balance September 30, 2016</b>	<b>58,252,571</b>	<b>\$ 6,798,995</b>	<b>\$ 628,512</b>	<b>\$ (5,021,664)</b>	<b>\$ 2,405,843</b>	<b>\$ 198,972</b>

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

**Equitorial Exploration Corp.**  
**Consolidated Interim Statements of Cash Flows**  
**(Expressed in Canadian dollars)**

	<b>Three Months Ended September 30, 2016</b>	<b>Three Months Ended September 30, 2015</b>	<b>Nine Months Ended September 30, 2016</b>	<b>Nine Months Ended September 30, 2015</b>
<b>Cash flows from (used in)</b>				
<b>Operating activities</b>				
Loss for the period	\$ (60,214)	\$ (220,854)	\$ (2,298,616)	\$ (655,789)
<b>Items not affecting cash:</b>				
Accrued interest on loans	-	2,017	-	5,984
Recovery of rent	-	-	(9,013)	-
Fair value changed for marketable securities	(154,001)	-	1,270,838	-
Stock options	54,066	-	54,066	-
Shares issued pursuant to property agreement	330,000	-	330,000	-
Loss on disposal of marketable securities	1,219	-	582,087	-
Loss on investment in associates	-	107,366	-	273,567
	<b>171,070</b>	<b>(111,471)</b>	<b>(70,638)</b>	<b>(376,238)</b>
<b>Changes in non-cash working capital items:</b>				
(Increase) decrease in accounts receivable	(3,414)	2,914	(1,132)	644
(Increase) decrease in prepaid expenses	(25,809)	37,296	9,875	42,667
(Increase) decrease in due from related parties	-	21,235	684	93,866
Increase (decrease) in accounts payable and accrued liabilities	(4,474)	(12,667)	2,612	21,442
<b>Cash flows (used in) operating activities</b>	<b>137,373</b>	<b>(62,693)</b>	<b>(58,599)</b>	<b>(217,619)</b>
<b>Investing activities</b>				
Sale of marketable securities	135,882	-	1,691,123	-
(Increase) decrease in marketable securities	-	-	(1,000,000)	-
Due to a related party	3,150	-	(93,031)	6,321
Loan receivable	-	(276,739)	-	(502,886)
Resource property acquisition costs	(430,000)	(100,000)	(430,000)	(100,000)
	<b>(290,968)</b>	<b>(376,739)</b>	<b>168,092</b>	<b>(596,565)</b>
<b>Financing activities</b>				
Common shares	-	369,711	-	713,191
Share issue costs	-	(30,687)	-	(71,641)
Shares subscribed	-	100,000	-	100,000
	-	439,024	-	741,550
<b>Change in cash during the period</b>	<b>(153,595)</b>	<b>(408)</b>	<b>109,493</b>	<b>(72,634)</b>
<b>Cash, beginning of the period</b>	<b>267,260</b>	<b>10,091</b>	<b>4,172</b>	<b>82,317</b>
<b>Cash, end of the period</b>	<b>\$ 113,665</b>	<b>\$ 9,683</b>	<b>\$ 113,665</b>	<b>\$ 9,683</b>

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

**Equitorial Exploration Corp.**  
**Notes to the Consolidated Interim Financial Statements**  
**For the periods ended September 30, 2016 and 2015**  
**(Expressed in Canadian dollars)**

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

Equitorial Exploration Corp. (the "Company" or "Equitorial") was incorporated on September 21, 2010 under the laws of the British Columbia Business Corporations Act. The Company was listed on TSX Venture Exchange (the "TSX-V") on July 14, 2011. The address of its registered head office is Suite 1400 -1111 West Georgia St., Vancouver, British Columbia, Canada.

The Company is in the process of exploring its resource properties and has not determined whether these properties contain mineral reserves which are economically recoverable. The recoverability of amounts shown for exploration and evaluation expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production from the property or proceeds from its disposition.

At September 30, 2016, the Company had working capital of \$1,185,094 (December 31, 2015 - \$3,529,644), had not yet achieved profitable operations, has accumulated losses of \$5,021,664 (December 31, 2015 - \$2,762,519) since its inception and expects to incur further losses in the development of its business, all of which casts significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to conduct its planned work program on its mineral properties, meet its on-going levels of corporate overhead, keep its property in good standing and discharge its liabilities as they come due. These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge liabilities in the normal course of business. Although the Company presently has sufficient financial resources to undertake its currently planned work programs and has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in these consolidated financial statements.

**Qualifying Transaction and Acquisition**

Pursuant to an assignment agreement dated February 28, 2013 as amended by amendment agreement dated April 9, 2013 with Arctic Star Exploration Corp. ("Arctic"), a TSX-V listed company, Arctic assigned to the Company a 60% of Arctic's interest in and to the mineral concession located in Dabeiba, Antioquia, Colombia, known as the El Hávila copper-gold property (the "Property" or the "EL Hávila Property") by way of Arctic transferring a 60% ownership in Arctic's Panamanian subsidiary to the Company. In consideration of the assignment, the Company reimbursed Arctic for the US \$200,000 payment made by Arctic to an original owner of the Property on February 15, 2013. The corporate structure of the interests held by the Company and Arctic, after a completion of the Qualifying Transaction, is that Arctic owns forty percent (40%) and the Company owns sixty percent (60%) of the outstanding shares of a Panamanian company now named Equitorial Exploration International Corp., which owns one hundred percent (100%) of the outstanding shares of a second Panamanian company now named Equitorial Exploration Colombia Corp., which owns one hundred percent (100%) of the outstanding shares of a Colombian company now named Equitorial Exploration Colombia S.A.S., which owns eighty-five percent (85%) interest in the EL Hávila Property. The Company has closed the Qualifying Transaction on May 23, 2013 and consequently, the Company has graduated from being a capital pool company to a "Tier 2" mining issuer on the Exchange.

**Equitorial Exploration Corp.**  
**Notes to the Consolidated Interim Financial Statements**  
**For the periods ended September 30, 2016 and 2015**  
**(Expressed in Canadian dollars)**

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**1. NATURE AND CONTINUANCE OF OPERATIONS (Continued)**

The Company accounted for the acquisition of sixty percent (60%) of the outstanding shares of a Panamanian company now named Equitorial Exploration International Corp. using the acquisition method and the results of operation have been consolidated from May 23, 2013. The allocation of value is as follows:

Cash and cash equivalents	\$	5,956
Accounts receivable		106
Mineral property acquisition costs		935,696
Trade & other payables		(8,001)
Due to a related party		(600,424)
Non-controlling interest		(133,333)
	\$	<u>200,000</u>

This transaction has been treated as an asset acquisition as Equitorial Exploration International Corp. and its subsidiaries did not have an integrated set of activities and assets that are capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefit directly. The mineral properties acquired currently do not have any proven or probable resources or reserves.

**2. BASIS OF PRESENTATION**

**(a) Statement of compliance and principles of consolidation**

These interim consolidated financial statements, as at and for the period ended September 30, 2016, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements include the financial statements of the Company and of the entity it controls, its 60%-owned subsidiaries, Equitorial Exploration International Corp., Equitorial Exploration Colombia Corp. and Equitorial Exploration Colombia S.A.S. The results of each subsidiary will continue to be included in the consolidated financial statements of the Company until the date that the Company's control over the subsidiary ceases. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All significant inter-company balances and transactions have been eliminated. In addition, effective March 18, 2014, the Company had been applying equity accounting its investment in Mineworx Technologies Inc. (formerly, First Nevada Mining Corp.) (“Mineworx” or “First Nevada”) until November 15, 2015. The Company discontinued the equity method in light of the dilution of its shareholding in Mineworx upon announcement (November 16, 2015) and completion (December 21, 2015) of the amalgamation of Mineworx and a public company listed on TSX-V (Note 10).

**(b) Basis of measurement**

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments, which are measured at fair value. All financial information in these financial statements is presented in Canadian dollars.



### 3. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short-term deposits with an original maturity of three months or less and which are readily convertible into a known amount of cash. The Company's cash and cash equivalents are invested with major financial institutions in business accounts. Cash may also be invested in guaranteed investment certificates that are available on demand by the Company for its program. The Company does not invest in any asset-backed deposits/investments.

#### (b) Foreign currency translation

The functional currency of the Company and its subsidiaries, as determined by management, is the Canadian dollar and this is also the currency in which it presents these financial statements. The Company recognizes transactions in currencies other than the Canadian dollar (foreign currencies) at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the consolidated statement of operation and comprehensive operation. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

#### (c) Impairment of tangible assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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

#### (d) Deferred income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for relating to goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

#### **(e) Provision for decommissioning and restoration**

The Company recognizes provisions for statutory, contractual, constructive or legal obligations associated with the reclamation of mineral properties in the year in which it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Initially, a provision for a decommissioning liability is recognized based on expected cash flows required to settle the obligation and discounted at a pre-tax rate specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. Following the initial recognition of the decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. The increase in the provision due to passage of time is recognized as interest expense. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation cash flows. As at September 30, 2016 and December 31, 2015, the Company has no known restoration, rehabilitation or environmental liabilities related to its mineral properties.

#### **(f) Provision for decommissioning and restoration**

The Company operates an employee stock option plan. Share based payments to employees are measured at the fair value of the instruments issued and amortized over the relevant 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 fair value of options is determined using a Black-Scholes pricing model. 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.

#### **(g) Earnings (loss) per share**

Basic earnings (loss) per share are calculated by dividing the net income (loss) available to common shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss period, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive. For the period presented, dilutive loss per share is equal to basic loss per share.

#### **(h) Significant accounting judgments and estimates**

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the year. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include valuation of share-based payments and recognition of deferred income tax amounts, determination of functional currency and provision for restoration, rehabilitation and environmental costs.

**Equitorial Exploration Corp.**  
**Notes to the Consolidated Interim Financial Statements**  
**For the periods ended September 30, 2016 and 2015**  
**(Expressed in Canadian dollars)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

Valuation of share-based payments

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Site decommissioning obligations

The Company recognizes a provision for future abandonment activities in the financial statements equal to the net present value of the estimated future expenditures required to settle the estimated future obligation at the statement of financial position date. The measurement of the decommissioning obligation involves the use of estimates and assumptions including the discount rate, the expected timing of future expenditures and the amount of future abandonment costs. The estimates were made by management and external consultants considering current costs, technology and enacted legislation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

**(i) Mineral properties**

The Company charges to operations all exploration and evaluation expenses incurred prior to the determination of economically recoverable reserves. These costs would also include periodic fees such as license and maintenance fees.

The Company capitalizes direct mineral property acquisition costs and those expenditures incurred following the determination that the property has economically recoverable reserves. Mineral property acquisition costs include cash consideration and the fair value of common shares issued for mineral property interests, pursuant to the terms of the relevant agreement. These costs are amortized over the estimated life of the property following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned, or when impairment in value has been determined to have occurred. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry practice for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(j) Financial instruments**

##### Financial assets

The Company classifies its financial assets into one of the following categories as follows:

**Fair value through profit or loss** - This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss. Cash has been classified under this category.

**Loans and receivables** - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost using the effective interest method less any provision for impairment. Accounts and loans receivables and due from a related party have been classified under this category.

**Held-to-maturity investments** - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method less any provision for impairment.

**Available-for-sale** - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in other comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in profit or loss.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

##### Financial liabilities

The Company classifies its financial liabilities into one of two categories as follows:

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

**Other financial liabilities:** This category consists of liabilities carried at amortized cost using the effective interest method. Accounts payable and accrued liabilities, loan payable and due to related parties have been classified under this category.

IFRS 7 requires additional disclosures relating to the measurement of fair value for financial instruments and liquidity risk. The disclosure requirement establishes a three level hierarchy that reflects the significance of the inputs used in fair value measurements on financial instruments. The three levels of the fair value hierarchy are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs are other than quoted prices in Level 1 that are either directly or indirectly observable for the asset or liability;

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

All of the financial instruments measured at fair value on the statement of financial position are included in Level 1. The company does not hold any financial instruments that are measured from Level 2 or Level 3 inputs.

#### **(k) Related party transactions**

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

#### **(l) Investment in Associates**

Associates are entities over which the Company has significant influence, but not control. The financial results of the Company's investments in its associates are included in the Company's results according to the equity method. Subsequent to the acquisition date, the Company's share of profits or losses of associates is recognized in the consolidated statements of income (loss).

The Company assesses at each period-end whether there is any objective evidence that its interests in associates are impaired. If the interests are impaired, the carrying value of the Company's share of the underlying assets of associates is written down to its estimated recoverable amount (being the higher of fair value less cost to sell and value in use) and charged to the consolidated statements of income (loss).

#### **(m) Accounting standards issued but not yet effective**

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRS Interpretations Committee that are mandatory for accounting periods beginning on or after January 1, 2015, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

i) New standard IFRS 9 Financial Instruments has been issued by IASB to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories: amortized cost and fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

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**4. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES**

**(a) Fair value of financial instruments**

The Company's financial instruments at September 30, 2016 consist of cash and cash equivalents, marketable securities, accounts and loan receivables, accounts and loan payables and accrued liabilities, and due from/to related parties. Cash and cash equivalents are carried at fair value using a level 1 fair value measurement. The carrying values of accounts and loan receivables, accounts and loan payables and accrued liabilities, and due from/to related parties approximate their fair values because of their nature and respective maturity dates or durations.

The fair value of the Company's financial instruments has been classified within the fair value hierarchy as at September 30, 2016 as follows:

	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Cash and cash equivalents	\$ 113,665	\$ –	\$ –	\$ 113,665
Marketable securities	1,774,275	–	–	1,774,275
	\$ 1,887,940	\$ –	\$ –	\$ 1,887,940

**(b) Risk Management**

**Credit Risk**

Credit risk is the risk of loss associated with a counter party's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and accounts receivables. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents are held with reputable Canadian financial institutions, from which management believes the risk of loss to be minimal. The Company's receivables consist of mostly GST receivable due from the Federal Government of Canada. The Company has not experienced any significant credit losses and believes it is not exposed to any significant credit risk.

**Interest Rate Risk**

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary assets and liabilities.

**Liquidity Risk**

The Company ensures that there is sufficient capital in order to meet annual business requirements, after taking into account administrative, property holding and exploration budgets, and cash and cash equivalent holdings. As the Company does not have operating cash flow and the Company has relied primarily on equity financings to meet its capital requirements.

**Foreign currency risk**

The Company's functional currency is the Canadian dollar and it transacts major purchases in Canadian dollars, Colombian Peso and US dollars. To fund exploration expenses, it maintains a Colombian Peso and US dollars-denominated bank accounts containing sufficient funds to support monthly forecasted cash outflows. Management believes the foreign exchange risk derived from currency conversions is minimal and therefore does not hedge its foreign exchange risk.

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**4. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL DISCLOSURES (continued)**

Commodity price risk

The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals. The Company monitors precious metals prices to determine the appropriate course of action to be taken by the Company.

**(e) Capital Management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its mineral properties and to maintain a flexible capital structure which optimises the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes cash, debt and the components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The 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 its capital structure, the Company may issue new shares, issue new debt, and acquire or dispose of assets.

The Company is dependent on the capital markets as its sole source of operating capital. The Company's capital resources are largely determined by the strength of the junior resource markets, by the status of the Company's projects in relation to those markets, and by its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. However, it is subject to any regulations and rules imposed by the TSX Venture Exchange in issuing and/or maintaining debt or equity financings. In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

**5. ACCOUNTS RECEIVABLE**

	September 30 2016	December 31 2015
GST receivable	\$ 8,832	\$ 7,700
Others	-	-
	\$ 8,832	\$ 7,700

## **6. MINERAL PROPERTIES**

- (a) The Company's 60%-owned subsidiary, Equitorial Exploration Colombia S.A.S., owns an eighty-five percent (85%) interest in and to the mineral concession located in Dabeiba, Antioquia, Colombia, known as the El Hávila copper-gold property (the "Property" or the "EL Hávila Property").

The Company and Artic agreed to make 60% and 40% contributions respectively on the exploration work of the El Hávila Property and the Company acts as the operator of all exploration programs.

The Company has no plan to perform any work on this property, therefore this property has been written-off during the year ended December 31, 2015.

- (b) On September 24, 2015, the Company signed a Participation and Joint Venture Agreement with Cardiff Energy Corp. ("Cardiff") to fund the completion of Clayton #1H well and to help expedite the development of its Runnels County oil and gas leases in Texas. Cardiff is a public company listed on the venture board of the Toronto Stock Exchange with the ticker symbol CRS. The Company and Cardiff have one common director who is also the president, director and chief financial officer of Cardiff.

Under the terms of the Joint Venture Agreement, the Company will purchase a 15% working interest ("WI") in Clayton #1H from Cardiff for USD\$270,000 and will have the opportunity to fund and purchase a 40% WI on all future wells drilled on Cardiff's leases in Runnels County. The Company paid entire USD\$270,000 during the year ended December 31, 2015. On October 24, 2015, the Company further increased additional 15% working interest, bringing total interest to 30%. The cost to participate for an additional 15% interest is USD\$360,000. During the year ended December 31, 2015, the Company has paid USD\$180,344.

The Clayton #1H well has not produced and the Company has been notified by Cardiff Energy that the well will be abandoned.

- (c) On July 27<sup>th</sup>, 2016 the Company purchased from Strategic Metals LTD 100% interest of the Li Property which hosts the Little Nahanni Pegmatite Group (LNPG) lithium-cesium-tantalum (LCT) pegmatite dykes that have been traced for over 13km. The property is located in the North West Territories and is 37km northwest of the recently closed tungsten mine (Cantung). A gated road that extends northwest from Cantung passes within 5km of the LNPG property.

As consideration of the purchase and sale, Equitorial has issued to Strategic 5,000,000 common shares of the Company on the closing date; and paid \$100,000 towards expenditures required for the 2016 work program on the Property and grant a 2% NSR Royalty to Strategic. The Company will have the right to buy down half of the NSR Royalty (equal to 1% of the Net Smelter Returns) in consideration for \$2,000,000. Within one year of the closing date, the Company will issue to Strategic 2,500,000 common shares of the Company; and 2,500,000 common share purchase warrants of the Company, with each warrant entitling Strategic to purchase one common share of the Company at a price of \$0.10 per share for a period of 24 months from the date of issue of the warrants. The company has also issued 500,000 shares as finder's fee.



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6. MINERAL PROPERTIES (continued)

During the period ended September 30, 2016, the Company incurred property acquisition costs as follows:

	USA Runnels Country Texas	Canada Li Property	Total
<b>Mineral properties</b>			
Balance, December 31, 2014	\$ -	\$ -	\$ -
Acquisition costs incurred during the year	591,777		
Balance, December 31, 2015	591,777	-	591,777
Acquisition costs incurred during the period	-	430,000	430,000
Written-off	-	-	-
<b>Balance, September 30, 2016</b>	<b>\$ 591,777</b>	<b>\$ 430,000</b>	<b>\$1,021,777</b>

During the year ended December 31, 2015, the Company incurred property acquisition costs as follows:

	USA Runnels Country Texas	Colombia EL Hávila	Total
<b>Mineral properties</b>			
Balance, December 31, 2013	\$ -	\$ 1,072,963	\$ 1,072,963
Acquisition costs incurred during the year	-	-	-
Balance, December 31, 2014	-	1,072,963	1,072,963
Acquisition costs incurred during the year	591,777	-	591,777
Written-off	-	(1,072,963)	(1,072,963)
<b>Balance, December 31, 2015</b>	<b>\$ 591,777</b>	<b>\$ -</b>	<b>\$ 591,777</b>

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**7. SHARE CAPITAL**

	September 30, 2016	December 31, 2015
<b>(a) Authorized: Unlimited common shares without par value</b>		
<b>Issued:</b>		
58,252,571 common shares (2015: 52,752,571 shares)	\$ 6,798,995	\$ 6,468,995

(b) The Company has not issued any shares during the period ended September 30, 2016.

During the fiscal year 2015, the Company issued shares as follows:

- i. On February 3, 2015, The Company closed the fourth tranche of its non-brokered private placement by issuing 900,000 units of the Company at a price of \$0.15 per Unit for gross proceeds of \$135,000, which were received by the Company as at December 31, 2014. Each Unit consists of one common share of the Company and one half of one transferable share purchase warrant. Each Warrant is exercisable to acquire one additional common share of the Company for a period of two years at a price of \$0.25 per common share. The Company paid cash finder's fee of \$13,500 and issued 90,000 broker's warrants. Each Broker's Warrant is exercisable to acquire an additional common share of the Company for a period of two years at a price of \$0.25 per common share.
- ii. On March 3, 2015, The Company closed the fifth and final tranche of its non-brokered private placement by issuing 1,419,666 units of the Company at a price of \$0.15 per Unit for gross proceeds of \$212,950. Each Unit consists of one common share of the Company and one half of one transferable share purchase warrant. Each Warrant is exercisable to acquire one additional common share of the Company for a period of two years at a price of \$0.25 per common share. The Company paid cash finder's fee of \$5,050 and issued 33,666 broker's warrants. Each Broker's Warrant is exercisable to acquire an additional common share of the Company for a period of two years at a price of \$0.25 per common share.
- iii. On April 14, 2015, the Company closed its non-brokered private placement by issuing 824,734 units of the Company at a price of \$0.15 per Unit for gross proceeds of \$123,710. Each Unit consists of one common share of the Company and one half of one transferable share purchase warrant. Each Warrant is exercisable to acquire one additional common share of the Company for a period of two years at a price of \$0.25 per common share. The Company paid cash finder's fee of \$6,060 and filing fees of \$1,369 and issued 40,400 broker's warrants. Each Broker's Warrant is exercisable to acquire an additional common share of the Company for a period of two years at a price of \$0.25 per common share. The Company also paid legal fees of \$13,857 on February – June 30, 2015 private placements.
- iv. On June 8, 2015, 56,625 warrants were exercised at a price of \$0.12 per warrant.
- v. On July 27, 2015, The Company closed its non-brokered private placement by issuing 2,700,000 units of the Company at a price of \$0.10 per unit for gross proceeds of \$270,000. Each unit consists of one common share of the Company and one share purchase warrant. Each Warrant is exercisable to acquire one additional common share of the Company for a period of five years at a price of \$0.20 per common share. The Company paid cash finder's fee of \$25,000 and filing fees of \$1,418.

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**7. SHARE CAPITAL (continued)**

- vi. On August 28, 2015, The Company closed its non-brokered private placement by issuing 997,106 units of the Company at a price of \$0.10 per unit for gross proceeds of \$99,711. Each unit consists of one common share of the Company and one share purchase warrant. Each Warrant is exercisable to acquire one additional common share of the Company for a period of five years at a price of \$0.20 per common share. The Company paid legal fees of \$4,270.
- vii. On October 8, 2015, the Company closed its non-brokered private placement by issuing 4,522,699 units of the Company at a price of \$0.06 per unit for gross proceeds of \$271,362. Each unit consists of one common share of the Company and one transferrable share purchase warrant. Each warrant is exercisable to acquire one additional common share of the Company for a period of two years at a price of \$0.10 per common share.
- viii. On October 26, 2015, the Company closed its non-brokered private placement by issuing 4,464,833 units of the Company at a price of \$0.06 per unit for gross proceeds of \$267,890. Each unit consists of one common share of the Company and one transferrable share purchase warrant. Each warrant is exercisable to acquire one additional common share of the Company for a period of two years at a price of \$0.10 per common share. The Company paid finders fees of \$6,240 and issued brokers warrants 104,000 at a price of \$0.06 for the period of two years.
- ix. On October 29, 2015, 1,250,000 options were exercised at a price of \$0.09 per option.
- x. On November 2, 2015, the Company closed its non-brokered private placement by issuing 840,000 units of the Company at a price of \$0.06 per unit for gross proceeds of \$50,400. Each unit consists of one common share of the Company and one transferable share purchase warrant. Each warrant is exercisable to acquire one additional common share of the Company for a period of two years at a price of \$0.10 per common share. The Company paid finders fees of \$4,032 and issued brokers warrants 67,200 at a price of \$0.06 for the period of two years.
- xi. On December 2, 2015, 500,000 options were exercised at a price of \$0.075 per option.
- xii. On August 24, 2016, the Company issued 5,000,000 shares at a deemed price of \$0.06 per share pursuant to a property agreement. The Company also issued 500,000 shares as finder's fee at a deemed price of \$0.06. Note 6 (c))

**(d) Share based payments**

- (i) As at September 30, 2016, the Company had stock options outstanding and exercisable enabling holders to acquire the following:

<b>Number of Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
1,100,000	\$0.12	May 24, 2023
950,000	\$0.275	April 9, 2019
1,350,000	\$0.09	November 25, 2020
1,100,000	\$0.055	July 21, 2016
<b>4,500,000</b>		

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7. SHARE CAPITAL (continued)

- (ii) A summary of the status of the Company's stock options as at September 30, 2016 and December 31, 2015 and changes during those years are presented below:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life Years
Balance, December 31, 2014	2,250,000	\$0.19	6.38
Granted	3,100,000	0.09	-
Exercised	(1,750,000)	0.09	-
Expired/Cancelled	(200,000)	0.16	-
Balance, December 31, 2015	3,400,000	\$0.19	5.28
Granted	1,100,000	0.06	-
Exercised	-	-	-
Expired/Cancelled	-	-	-
<b>Balance, September 30, 2016</b>	<b>4,500,000</b>	<b>\$0.13</b>	<b>4.55</b>

(c) Share purchase warrants

- (i) As at September 30, 2016, the Company had warrants outstanding enabling holders to acquire the following:

Number of Shares	Exercise Price	Expiry Date
484,488	\$0.25	October 31, 2016
68,076	\$0.25	October 31, 2016
540,000	\$0.25	February 03, 2017
743,498	\$0.25	March 3, 2017
452,767	\$0.25	April 14, 2017
2,700,000	\$0.20	July 27, 2020
997,106	\$0.20	August 25, 2020
4,522,699	\$0.10	October 8-2017
4,464,833	\$0.10	October 26-2017
104,000	\$0.06	October 26-2017
840,000	\$0.10	November 2, 2017
67,200	\$0.06	November 2, 2017
<b>15,984,667</b>		

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7. SHARE CAPITAL (continued)

- (ii) A summary of the Company's issued and outstanding share purchase warrants as at September 30, 2016 and December 31, 2015 and changes during those periods are presented below:

Balance, December 31, 2014	3,421,632
Granted	15,432,103
Exercised	(56,625)
Expired	(403,737)
Balance, December 31, 2015	18,393,373
Granted	-
Exercised	-
Expired	(2,408,706)
<b>Balance, September 30, 2016</b>	<b>15,984,667</b>

8. CONTRIBUTED SURPLUS

The following table reconciles the Company's reserve for warrants and options:

Balance, December 31, 2014	\$	462,187
90,000 broker warrants issued @ \$0.25		9,531
33,666 broker warrants issued @ \$0.25		2,568
40,400 broker warrants issued @ \$0.25		2,724
56,625 broker warrants exercised @ \$0.12		(4,530)
1,250,000 options granted @ \$0.09		99,848
104,000 broker warrants issued @ \$0.06		7,952
1,250,000 options exercised @ \$0.09		(99,848)
67,200 broker warrants issued @ \$0.06		5,451
1,350,000 options granted @ \$0.09		88,563
500,000 options granted @ \$0.075		35,559
500,000 options exercised @ \$0.075		(35,559)
Balance, December 31, 2015		574,446
1,100,000 options granted @ \$0.055		54,066
<b>Balance, September 30, 2016</b>	<b>\$</b>	<b>628,512</b>

The Company has a stock option plan (the "Plan") for directors, senior officers, employees, consultants, and management. The Plan provides for the issuance of stock options to acquire up to a maximum of 10% of the issued and outstanding common shares of the Company. Options granted to directors, senior officers, employees, and consultants vest fully upon the expiry of the hold period of four months from the award date. Options granted to consultants performing investor relations activities vest over a period of time.

During the period ended September 30, 2016, the Company has recognized \$54,066 (December 31, 2015 - \$223,970) in compensation upon issuance of 1,100,000 stock options (December 31, 2015 - 3,100,000). The fair values of these options were determined using the Black-Scholes option pricing model with the following assumption

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8. CONTRIBUTED SURPLUS (continued)

	September 30, 2016	December 31, 2015
Risk-free interest rate	0.91%	0.90% - 0.78%
Experienced life of options	1-5 years	1-5 years
Annualized volatility	143.436%	140.21% - 140.96%
Dividend rate	-	-

9. RELATED PARTY TRANSACTIONS

- (a) During the period ended September 30, 2016, the Company incurred consulting fees of \$75,000 (September 30, 2015: \$87,163) with directors, companies owned by directors and a company by common directors.

As at September 30, 2016, \$3,150 (December 31, 2015 - \$96,181) was owing to companies controlled by directors and officers of the Company.

- (b) During the period ended September 30, 2016, payment of rent of \$4,500 (September 30, 2015: \$nil) pertains to rent paid to a company related by a common officer for shared office premises.
- (c) During the period ended September 30, 2016, the Company incurred accounting fees of \$27,000 (September 30, 2015: \$27,000) with officer of the Company.
- (d) As at September 30, 2016, due from a related party includes \$nil (December 31, 2015: \$684) from Artic Star Exploration Corp., a company related by a common officer and a 40% shareholder of Equitorial Exploration International Corp.
- (e) As at September 30, 2016, prepaid expenses include \$22,875 (December 31, 2015: \$nil) to CEO and president of the Company.
- (e) As at September 30, 2016 the Company's 60%-owned subsidiary, Equitorial Exploration International Corp., owed \$600,424 (2015 - \$600,424) to Artic Star Exploration Corp. These amounts are included in due to related parties.

The amounts due from or to the related parties are unsecured and without interest or stated terms of repayment.

All related party transactions are in the normal course of operations and have been measured at the agreed to amounts, which is the amount of consideration established and agreed to by the related parties. Note 10 also provide information on related party transactions.

10. INVESTMENT IN ASSOCIATE

On March 18, 2014, the Company acquired (the "Acquisition") a 45% ownership of Mineworx Technologies Inc. (formerly, First Nevada Mining Corp.) ("Mineworx" or "First Nevada") pursuant to a share purchase and option agreement (the "Agreement") dated February 5, 2014 with Mineworx. As a result of the Acquisition, the Company received an aggregate of 11,843,453 common shares of Mineworx (received) in exchange for issuing certain of Mineworx's existing shareholders 5,000,000 shares (issued) in the capital of the Company at a fair value of \$1,500,000, paying Mineworx \$750,000 cash (paid), and transferring title to the Company's IGR 3000, 30 tonne per hour, modular, heavy mineral recovery plant to Mineworx (transferred). In connection with closing the Acquisition, the Company issued 500,000 shares at a fair value of \$150,000 as a finder's fee. Due to having a significant influence over Mineworx, effective March 18, 2014, the Company has adopted equity method to record its investment with Mineworx.

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**10. INVESTMENT IN ASSOCIATE (continued)**

On November 13, 2015, the Company entered into a debt settlement and share distribution with MineWorx. The Company received 5,181,547 shares (the “**Settlement Shares**”) in the capital of MineWorx, at a deemed price of \$0.156043641 per share to settle outstanding debt of \$956,547.46 owed to the Company by Mineworx pursuant to a loan agreement between the Company and MineWorx dated October 27, 2014. As part of the debt settlement, MineWorx also agreed to assume \$148,000 of debt owing by the Company to certain third-party creditors.

The Company previously held 11,843,453 shares of MineWorx and following issuance of the Settlement Shares holds 17,025,000 MineWorx shares (the “**MineWorx Shares**”).

On November 16, 2015, the Company announced that Mineworx has entered into an amalgamation agreement with Iberian Minerals Limited (“**Iberian**”), and a newly incorporated subsidiary of Iberian (“**Subco**”), dated November 16, 2015 pursuant to which Iberian has agreed to acquire all of the outstanding shares of Mineworx by way of a three-cornered amalgamation. Under the terms of the amalgamation agreement, Mineworx and Subco will amalgamate under the Business Corporations Act (British Columbia) and continue as one corporation, which is a wholly owned subsidiary of Iberian and will carry on the business of Mineworx following the completion of the transaction.

Under the terms of the amalgamation agreement, Mineworx shareholders will receive approximately 2.53646 common shares of Iberian for every one Mineworx common share. In connection with the transaction, Iberian will issue approximately 83,999,941 Iberian shares to the Mineworx shareholders. Upon completion of the transaction, Iberian expects to have approximately 243,380,078 Iberian shares issued and outstanding, of which the former holders of Mineworx will hold approximately 34.5 per cent. As previously announced on October 13, 2015, the Company holds 17,025,000 Mineworx shares.

On December 21, 2015, Iberian completed the acquisition of Mineworx as a result Equitorial were entitled to receive 43,183,232 Iberian Shares. On January 15, 2016, these shares were issued to Equitorial which then owns and controls 43,183,232 common shares of Iberian or approximately 17.73% of the 243,480,080 issued and outstanding common shares of Iberian on an undiluted basis.

In light of the anticipated dilution of Equitorial’s ownership in the newly amalgamated Iberian shares, Equitorial discontinues the equity method for accounting the carrying value of Mineworx on November 16, 2015, the date of Iberian and Mineworx entered into the amalgamation agreement. The anticipated dilution of Equitorial’s ownership to 17.73% post-amalgamation and no participation in the board of the newly amalgamated Iberian are the determined factors where the management of the Company decided to discontinue the equity method for accounting its investment in Mineworx.

On December 21, 2015 the date of the completion of the amalgamation agreement, Equitorial de-recognized the carrying value of the investment in Mineworx (\$2,433,489) and recognized the fair value of 43,183,232 Iberian shares (\$3,454,659) where Equitorial is entitled to receive upon completion of the amalgamation. This difference of \$1,021,170 between the carrying value of the investment in Mineworx and the fair value of Iberian shares were recognized as a gain through profit and loss.

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**10. INVESTMENT IN ASSOCIATE (continued)**

Changes in carrying value of the Company's investment in Mineworx and the de-recognition upon completion of amalgamation with Iberian on December 21, 2015 are as follows:

	Number of Mineworx shares owned by the Company	Amount (\$)
Balance, December 31, 2014	11,843,453	2,032,814
Issuance of shares per debt settlement agreement	5,181,547	808,547
Write-off of loan interest payable per debt settlement agreement		(613)
Loss from investment in associate on November 15, 2015		(407,259)
De-recognition upon completion of Amalgamation on December 21, 2015	(17,025,000)	(2,433,489)
<b>Balance, December 31, 2015</b>	<b>-</b>	<b>-</b>

The following table summarizes Mineworx's revenue, expenses and net loss.

	For the period of January 1 to June 30, 2015
	\$
Revenue	-
Expense	(170,869)
<b>Net loss</b>	<b>(170,869)</b>

The Company and Mineworx also entered into a loan agreement dated October 27, 2014 whereby the Company and Mineworx agreed the following terms:

- a. The Company would make loans to Mineworx in the amount of \$354,690 on October 27, 2014 (made)
- b. The Company will provide and maintain a revolving credit facility in the amount of up to \$800,000 available to Mineworx.
- c. All of loans bear 0.05% interest per annum, expire on October 27, 2015 and are secured by a HMX 200 mineral processing equipment owned by Mineworx.

On November 13, 2015, the Company completed its debt settlement agreement with MineWorx. The Company received 5,181,547 shares (the "Settlement Shares") in the capital of MineWorx, at a deemed price of \$0.156043641 per share to settle outstanding debt of \$956,547.46 owed to the Company by Mineworx pursuant to the October 27, 2014 loan agreement between the Company and MineWorx. As part of the debt settlement, MineWorx also agreed to assume \$148,000 of debt owing by the Company to certain third-party creditors. The Company previously held 11,843,453 shares of MineWorx and following issuance of the Settlement Shares holds 17,025,000 MineWorx shares (the "MineWorx Shares").



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**Notes to the Consolidated Interim Financial Statements**  
**For the periods ended September 30, 2016 and 2015**  
**(Expressed in Canadian dollars)**

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**11. MARKETABLE SECURITIES**

As at December 31, 2015, the Company was entitled to 43,183,232 common shares of Iberian, a public company trading on TSX-Venture Board with ticker symbol IML (Note 10). These marketable securities are classified as financial assets through profit-and-loss and are carried at fair value of \$4,318,323 as at December 31, 2015.

During the period ended September 30, 2016, the Company sold 33,261,000 shares for the net proceeds of \$1,691,123. The Company incurred the loss on disposal of shares \$582,087. The fair value at September 30, 2016 was \$707,608 (December 31, 2015 - \$4,318,323).

On March 11, 2016, the Company entered into agreement with Mag One Products Inc. ("Mag One"), in which Mag One has granted the Company a first right to a 50/50 JV to fund equally the construction of the first magnesium and refining production facility for use by Mag One to produce magnesium metal and related products, by using its proprietary magnesium metal technology upon Equitorial completing its investment of \$1.5 million Canadian dollars to Mag One.

The terms of the JV shall be set out in a formal JV agreement once the Investment is in place. Upon the successful completion of the first production and refining facility under the JV terms, Equitorial shall then have the first right to enter into a further 50/50 JV in regard to participate to funding of the construction of the second production and refining facility on the same terms as the first JV. Equitorial will also have the right to fund other production facilities on a 50/50 JV, on a non-exclusive basis, with Mag One once the first 2 facilities are funded and in operation. The Company has bought 1,111,111 shares @ \$0.90 for total cost of \$1,000,000. The fair value at September 30, 2016 was \$1,066,667 (December 31, 2015 - \$nil).

**12. SEGMENTED INFORMATION**

The Company conducts all of its operations in acquisition, exploration and development of mineral, and oil & gas properties. The geographical division of the Company's total assets are as follows:

Assets	September 30, 2016	December 31, 2015
USA	591,777	591,777
Canada	2,376,490	4,390,472
<b>Total</b>	<b>\$ 2,968,267</b>	<b>\$ 4,982,249</b>

**13. SUBSEQUENT EVENTS**

None

**14. CONTINGENCY**

A claim in the Supreme Court of British Columbia, brought by Notice of Civil Claim filed January 21, 2016. In this action, the plaintiffs claim against the Company for the payment of damages and costs. The plaintiffs also seek other orders, including orders preventing the Company from disposing of certain of its assets. The claims for damages and costs are not quantified in the Notice of Civil Claim filed by the plaintiffs. The Company filed a Response to Civil Claim on February 2, 2016, which it amended on February 24, 2016. Any settlement will be reflected as a charge to operations in the year occurred. No provision for possible loss has been included in these consolidated financial statements.