



# **Gungnir Resources Inc.**

Interim Financial Statements

**March 31, 2017 and 2016**

(expressed in Canadian dollars)

Unaudited – Prepared by Management



# Gungnir Resources Inc.

## Statements of Financial Position

(expressed in Canadian dollars)

Unaudited – Prepared by Management

	Note	March 31, 2017	December 31, 2016
<b>Assets</b>			
<b>Current assets</b>			
Cash & cash equivalents	3	\$ 191,159	\$ 278,448
Term deposits	3	11,528	5,764
GST receivable and prepaids	4	3,560	2,824
		206,247	287,036
<b>Non-current assets</b>			
Reclamation bonds	5	23,557	23,531
Exploration and evaluation properties	6	574,247	572,417
<b>Total assets</b>		\$ 804,051	\$ 882,984
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		228,454	219,059
<b>Total liabilities</b>		228,454	219,059
<b>Equity</b>			
Share capital	7	30,065,837	30,065,837
Stock-based payment reserve	7	282,744	344,664
Warrants	7	250,872	250,872
Contributed surplus	7	6,610,530	6,468,930
Deficit		(36,634,386)	(36,466,379)
<b>Total equity</b>		575,597	663,925
<b>Total liabilities and equity</b>		\$ 804,051	\$ 882,984

Nature and continuance of operations (Note 1)

See accompanying notes to the interim financial statements



# Gungnir Resources Inc.

## Statements of Comprehensive Loss

(expressed in Canadian dollars)

Unaudited – Prepared by Management

For the Periods Ended March 31,	Note		2017	2016
<b>Operating expenses</b>				
General and administration	10	\$	24,125	6,478
Compensation			143,422	64,001
Foreign exchange			-	-
Professional fees			500	
<b>Other items</b>			168,047	70,479
Interest and other income			(40)	(233)
Write-down of exploration and evaluation properties				
<b>Loss before income taxes</b>			168,007	70,246
<b>Net loss and comprehensive loss for the period</b>			\$ 168,007	70,246
Weighted average number of shares outstanding			57,298,100	47,087,141
<b>Basic and diluted loss per share</b>			\$ (0.00)	(0.00)

See accompanying notes to the interim financial statements



# Gungnir Resources Inc.

## Statements of Cash Flows

(expressed in Canadian dollars)

Unaudited – Prepared by Management

For the Periods Ended March 31,	Note	2017	2016
<b>Operating activities</b>			
Comprehensive loss for period	\$	(168,007)	\$ (70,246)
Adjustments for:			
Accrued interest		(40)	(233)
Stock-based compensation		79,679	-
Write-down of exploration and evaluation properties		-	-
		(88,368)	(70,479)
Net change in non-cash working capital			
GST receivable		(736)	(277)
Prepaid expenses		-	-
Accounts payable and other accrued liabilities		9,395	24,194
		(79,709)	(46,562)
<b>Financing activity</b>			
Issue of units, net of share issue costs		-	-
		-	-
<b>Investing activities</b>			
Term deposits redeemed (purchased) – net		(5,750)	-
Reclamation bonds, refunded		-	-
Acquisition of mineral property		-	-
Exploration and evaluation expenditures		(1,830)	-
		(7,580)	-
<b>Net change in cash</b>		(87,289)	(45,562)
<b>Cash, beginning of period</b>		278,448	53,122
<b>Cash, end of period</b>	<b>\$</b>	<b>191,159</b>	<b>\$</b> <b>6,560</b>

See accompanying notes to the interim financial statements



# Gungnir Resources Inc.

## Statements of Changes in Equity

(expressed in Canadian dollars)

Unaudited – Prepared by Management

	Shares (note 8)	Share Capital	Share-based compensation	Warrants	Contributed surplus	Deficit	Total equity
<b>January 1, 2016</b>	51,248,785	\$ 29,901,587	\$ 223,661	\$ 70,872	\$ 6,468,930	\$ (35,847,633)	\$ 817,417
Comprehensive loss	--	-	-	-	-	(70,246)	(70,246)
<b>March 31, 2016</b>	51,248,785	29,901,587	223,661	70,872	6,468,930	(35,917,879)	747,171
Private placement shares issued	12,000,000	360,000	-	-	-	-	360,000
Share issue costs	-	(195,750)	-	180,000	-	-	(15,750)
Re-allocated on expiry or cancellation of options and warrants	-	-	-	-	-	-	-
Share-based compensation	-	-	121,004	-	-	-	121,004
Comprehensive loss	-	-	-	-	-	(548,500)	(548,500)
<b>December 31, 2016</b>	63,248,785	\$ 30,065,837	\$ 344,665	\$ 250,872	\$ 6,468,930	\$ (36,466,379)	\$ 663,925
Private placement shares issued	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-
Re-allocated on expiry or cancellation of options and warrants	-	-	(141,600)	-	141,600	-	-
Share-based compensation	-	-	79,679	-	-	-	79,679
Comprehensive loss	-	\$ -	\$ -	\$ -	\$ -	(168,007)	(168,007)
<b>March 31, 2017</b>	<b>63,248,785</b>	<b>30,065,837</b>	<b>282,744</b>	<b>250,872</b>	<b>6,610,530</b>	<b>(36,634,386)</b>	<b>575,597</b>

See accompanying notes to the interim financial statements



# Gungnir Resources Inc.

## Notes to Financial Statements

### For the periods ended March 31, 2017 and 2016

(expressed in Canadian dollars)

Unaudited – Prepared by Management

#### 1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated in British Columbia, Canada and is involved in the acquisition and exploration of mineral property interests. At the date of these financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its properties and the ability of the Company to recover the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the property. The Company is in the development stage with no major source of operating revenue and is dependent upon equity financing to maintain its current operations. These financial statements have been prepared on the basis of the Company being a going concern and able to realize its assets and discharge its liabilities in the normal course of business.

The financial statements do not reflect adjustments in the carrying values of the Company's assets and liabilities, expenses, and the balance sheet classifications used, that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

The primary office of the Company is located at 1688 – 152<sup>nd</sup> Street, Suite 404, Surrey, BC, V4A 4N2.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### (a) Statement of Compliance and Conversion to International Financial Reporting Standards

These financial statements have been prepared in accordance with, International Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

##### (b) Basis of presentation

These financial statements have been prepared on a going concern basis, under the historical cost basis except for financial instruments designated at fair value through profit and loss, which are stated at their fair value. These financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

##### (c) Significant accounting judgments and estimates

The preparation of these financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the financial statement date and the reported amounts of revenues and expenses during the period. On an ongoing basis, management evaluates its judgments and estimates by using its experience and other factors it believes to be reasonable. Actual results could differ from those estimates. These financial statements include estimates which are uncertain, the impacts of which are pervasive and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods if it affects both current and future periods. Significant estimates and judgments include, but are not limited to, valuation of mineral properties and deferred exploration costs, inputs used in the valuation of the Company's warrants and stock options and income taxes.

- *Valuation of mineral properties.* Management applies judgment in determining whether a property is technically feasible and commercially viable and the amounts recognized on the Company's statement of financial position.



# Gungnir Resources Inc.

## Notes to Financial Statements

### For the periods ended March 31, 2017 and 2016

(expressed in Canadian dollars)

Unaudited – Prepared by Management

- *Valuation of warrants and stock options.* Management makes certain estimates when determining the fair value of warrants and stock options awards, and the number of warrants and stock options that are expected to vest. For warrants issued, these estimates affect their amounts recognized either within assets or equity. For stock option awards, these estimates affect the amounts recognized in the statement of comprehensive loss.
- *Income taxes.* Income taxes payable and deferred income tax assets and liabilities require management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes becomes certain only when filed and accepted by the relevant authorities.

#### (d) Functional currency and foreign currency transactions

The functional and presentation currency of the Company is the Canadian dollar. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on dates of transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

#### (e) Financial instruments and financial risk

##### (i) Non-derivative financial assets

The Company has the following non-derivative financial assets: financial assets at fair value through profit or loss (FVTPL) and loans and receivables.

A financial asset is classified as FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition material transaction costs are recognized in profit or loss as incurred. Financial assets at FVTPL are measured at fair value and changes are recognized in profit or loss.

Cash, term deposits and reclamation bonds are classified as FVTPL and are accounted for at fair value. Cash investments include highly liquid investments with original maturities of three months or less and are subject to an insignificant risk of change in value. At March 31, 2017 and 2016, the Company didn't have any cash equivalents.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. GST receivable is classified as loans and receivables.

##### (ii) Non-derivative financial liabilities

The Company has the following non-derivative financial liabilities: other financial liabilities

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial instruments liabilities are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities are classified as other financial liabilities.



# **Gungnir Resources Inc.**

## **Notes to Financial Statements**

### **For the periods ended March 31, 2017 and 2016**

(expressed in Canadian dollars)

Unaudited – Prepared by Management

#### **(f) Impairment of financial assets and non-financial assets**

##### **(i) Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated cash flows, discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are collectively assessed in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, this reversal is recognized in profit or loss.

##### **(ii) Non-financial assets**

Non-financial assets are evaluated at least annually by management for indicators that the carrying value is impaired and may not be recoverable. When indicators of impairment are present the recoverable amount of an asset is estimated to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive loss. The recoverable amount of the asset is the greater of its fair value less cost to sell and value in use.

#### **(g) Exploration and evaluation assets**

Acquisition costs of resource properties together with direct exploration expenditures thereon are deferred until the property to which they relate is placed into production, sold or abandoned or becomes impaired. Option or other payments received in respect of property interests are applied to reduce the carrying value of the properties. The carrying values of mineral properties are, where necessary, written down to the estimated fair value based on discounted estimated future net cash flows. Exploration and evaluation assets will be depreciated on a unit of production basis when the property is placed into production.

The Company reviews the carrying values of its resource properties whenever events or circumstances indicate that there may be a potential impairment. Where estimates of future cash flows are not available and where exploration results or other information suggest impairment has occurred, management assesses whether the carrying value can be recovered, and if not, an appropriate write-down is recorded.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects in title registration.





# **Gungnir Resources Inc.**

## **Notes to Financial Statements**

### **For the periods ended March 31, 2017 and 2016**

(expressed in Canadian dollars)

Unaudited – Prepared by Management

Once mineral reserves are determined and the decision to proceed into project development has been approved, the expenditures related to development will be amortized over the life of the project based on estimated economic reserves.

Exploration costs renounced to shareholders due to flow-through share subscription agreements remain capitalized, however, for income tax purposes the Company has no right to claim these costs as tax deductible expenses.

#### **(h) Reclamation bonds**

Cash which is subject to contractual restrictions on use imposed by government agencies as a condition of granting permits in connection with exploration and evaluation assets is classified separately as reclamation bonds.

#### **(i) Cash and cash equivalents**

Cash and cash equivalents consists of balances with banks and investments in financial instruments that are readily convertible into known amounts of cash and have original maturities within 90 days held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. At March 31, 2017 and 2016, the Company did not have any cash equivalents.

#### **(j) Flow-through shares**

The Company from time to time issues flow-through common shares to finance a significant portion of its exploration programs. Pursuant to the terms of the applicable flow-through share subscription agreements, the tax deductibility of qualifying resource expenditures funded from the proceeds of the sales of such shares is transferred to the investors who purchased the flow-through shares. Under IFRS, on issuance of such shares, the Company bifurcates the flow-through share into: (i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and (ii) share capital. Upon expenses being incurred, the Company derecognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders. The premium is recognized as other income and a deferred tax liability is recognized. To the extent that the Company has suitable unrecognized deductible temporary differences, an offsetting recovery of deferred income taxes would be recorded.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period.

The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the “Look-back” Rule, in accordance with flow-through regulations pursuant to the Income Tax Act (Canada). When applicable, this tax is accrued until paid.



# **Gungnir Resources Inc.**

## **Notes to Financial Statements**

### **For the periods ended March 31, 2017 and 2016**

(expressed in Canadian dollars)

Unaudited – Prepared by Management

#### **(k) Share capital**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

#### **(l) Share-based payment transactions**

The Company has a stock option plan that allows certain officers, directors, consultants and related company employees to acquire shares of the Company. The fair value of the options granted is recognized as an expense with a corresponding increase in equity.

Share-based payments to employees and others providing similar services are measured at grant date at the fair value of the instruments issued. Fair value is determined using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Each tranche is an award with graded vesting and is considered a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

Share-based payments to non-employees are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

The offset to the recorded cost is to share-based payment reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments originally recorded as contributed surplus are transferred to share capital. Upon cancellations or expiry of an option, the recorded value is transferred to contributed surplus.

#### **(m) Asset retirement obligations**

The fair value of a liability for an asset retirement obligation is recognized on a discounted cash flow basis when a reasonable estimate of the fair value of the obligation can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expense using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and from revisions to either expected payment dates or the amounts comprising the original estimate of the obligation. As at March 31, 2017, the Company does not have any asset retirement obligations.



# Gungnir Resources Inc.

## Notes to Financial Statements

### For the periods ended March 31, 2017 and 2016

(expressed in Canadian dollars)

Unaudited – Prepared by Management

#### **(n) Income taxes**

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to the offset of current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### **(o) Loss per share**

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the period. The effect of potential issuances of shares under options and warrants would be anti-dilutive, and therefore, basic and diluted loss per share are the same.

#### **(p) 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. Related party 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.



# Gungnir Resources Inc.

## Notes to Financial Statements

### For the periods ended March 31, 2017 and 2016

(expressed in Canadian dollars)

Unaudited – Prepared by Management

#### (q) Future accounting pronouncements

##### IFRS 9, Financial Instruments (“IFRS 9”)

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses clarification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39, Financial Instruments – Recognition and Measurement (“IAS 39”) for debt instruments with a new mixed measurement model having only two categories; amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in comprehensive income indefinitely.

Requirements for other financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. IFRS 9 will be effective as at January 1, 2018. The Company is in the process of assessing the impact of this pronouncement. The impact has not yet been determined.

##### IFRS 16, Leases (“IFRS 16”)

IFRS 16 establishes a new model for lease accounting and will be effective for annual periods beginning on or after January 1, 2019. The Company is in the process of analyzing IFRS 16 and determining the effect on its financial statements as a result of adopting this standard.

### 3. CASH, CASH EQUIVALENTS AND TERM DEPOSITS

Cash, cash equivalents and term deposits consist of the following:

	March 31, 2016	December 31, 2016
Cash bank accounts	\$ 191,159	\$ 278,448
Term deposits	11,528	5,764
	<b>\$ 202,687</b>	<b>\$ 284,213</b>

The Company estimates that the fair value of cash, cash equivalents and term deposits approximates the carrying values as of March 31, 2017 and December 31, 2016. Money market instruments held by the Company are convertible to cash on an "on demand" basis. Term deposits include \$11,500 (2016 - \$5,750) that the Company deposited with the Bank of Montreal in Guaranteed Investments Certificates with respect to its MasterCard Credit card account.



# Gungnir Resources Inc.

## Notes to Financial Statements

### For the periods ended March 31, 2017 and 2016

(expressed in Canadian dollars)

Unaudited – Prepared by Management

#### 4. AMOUNTS RECEIVABLE AND PREPAYMENTS

Receivables and prepayments consist of the following:

	March 31, 2017	December 31, 2016
GST receivable and deposit receivable	\$ 3,356	\$ 2,619
Prepays	205	205
	\$ 3,560	\$ 2,824

#### 5. RECLAMATION BONDS

The Company has reclamation bonds outstanding totalling a principal amount of \$23,500 (2016 - \$23,500) to satisfy certain performance obligations associated with the exploration of the Blu Starr properties. These investments are recorded at market value and earn interest at market rates.



# Gungnir Resources Inc.

## Notes to Financial Statements

### For the periods ended March 31, 2017 and 2016

(expressed in Canadian dollars)

Unaudited – Prepared by Management

#### 6. EXPLORATION AND EVALUATION PROPERTIES

Exploration and Evaluation Properties	December 31, 2016	Exploration and evaluation	Impairment	Loss on sale of property	Recoveries	March 31, 2017
Blu Starr 7(b)	-	-	-	-	-	-
Gungnir Property 7(d) and (e)	572,417	1,830	-	-	-	574,247
	572,417	1,830	-	-	-	574,247

Exploration and Evaluation Properties	December 31, 2015	Exploration and evaluation	Impairment	Loss on sale of property	Recoveries	December 31, 2016
Blu Starr 7(b)	-	-	-	-	-	-
Gungnir Property 7(d) and (e)	704,500	16,737	(148,820)-	-	-	572,417
	704,500	16,737	(148,820)-	-	-	572,417



# Gungnir Resources Inc.

## Notes to Financial Statements

### For the periods ended March 31, 2017 and 2016

(expressed in Canadian dollars)

Unaudited – Prepared by Management

#### 6. EXPLORATION AND EVALUATION PROPERTIES (*continued*)

(a) Kenville, Canada

The Company had a 100% interest in the Kenville mineral property including on-site buildings and equipment with historic gold mine workings near Nelson, British Columbia.

On March 3, 2014, the Company entered into a binding letter agreement (the “Letter Agreement”) to sell its Kenville mineral property. The Company closed the sale of the Company’s Kenville mineral property on May 1, 2014. Total consideration of \$5,900,000 for the purchase of the Property was satisfied by (a) \$100,000 deposit (received); (b) \$800,000 payment on closing (received); and (c) \$5,000,000 cash balance to be satisfied by five (5) annual payments of \$1,000,000 starting on or before May 1, 2017. The remaining payments are secured by a Royalty Agreement registered on title to the Kenville Gold Property and a Specific Security Agreement registered under the Personal Property Registry, British Columbia.

The Company has no residual interest in the property for accounting purposes and the \$5,000,000 in remaining proceeds will be recorded in income when received. Please SEE SUBSEQUENT EVENTS at the end of this report.

(b) Blu Starr, Canada

The Blu Starr property covers a 65 square km staked mineral claim group located near Slocan, British Columbia. On certain mineral claims, the vendors retained 1.5% and 2% NSR royalties on any future non-gemstone production and a 3.5% NSR on any future gemstone production. During the year ended December 31, 2015 the Company analyzed the property for impairment and wrote down the carrying value to nil.

(c) Knaften-Nordanas, Sweden

On June 16, 2014, the Company through a Share Exchange Agreement, acquired a private company, Gungnir Resources Inc. (“Gungnir”), registered in Ontario, and 100% of its Nordanas and Knaften properties located in northern Sweden. Under the terms of the acquisition, the shareholders of Gungnir Resources Inc. received an amount of \$300,000 plus a total of 6,517,303 post consolidation shares of the Company. The claims are subject to a 2.4% NSR, of which one-third is owned by a related party. The Company has the right to purchase 50% of the royalty for \$1 million at any time up to twelve months after the commencement of commercial production. . During 2016, the Nordanas claim was allowed to expire resulting in a write down of \$148,820 in capitalized costs associated with the Nordanas property. During the period ended March 31, 2017, the Company incurred additional exploration expenditures of \$1,830 in regards to the Knaften property.

(d) Rormyrberget-Lappvattnet, Sweden

On February 24, 2015, the Company announced that it successfully staked two properties located in the Vasterbotten District of northern Sweden. The Rormyrberget and Lappvattnet properties are located east of the Company’s Knaften-Nordanas property. The properties are held 100% by Gungnir under two separate permits covering an area of 471.3 hectares. The permits are valid for an initial period of three years. The Company’s Swedish property interests are also referred to collectively as the “Gungnir Property.”



# Gungnir Resources Inc.

## Notes to Financial Statements

### For the periods ended March 31, 2017 and 2016

(expressed in Canadian dollars)

Unaudited – Prepared by Management

#### 7. SHARE CAPITAL

The authorized share capital in Gungnir Resources Inc. consists of 500,000,000 common shares.

On September 28, 2016, the Company completed a private placement for 12,000,000 Units at a price of \$0.03 per Unit. Each Unit consists of one common share and one warrant. Each warrant entitles the holder to acquire an additional common share of the Company at \$0.05 for 60 months.

At March 31, 2017 there are 63,248,785 common shares issued.

#### Share-based Compensation

The Company has adopted a 2015 Incentive Stock Option Plan which provides that the Board of Directors of the Company may from time to time, in its discretion and in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance in any twelve month period will not exceed 10% of the Company's issued and outstanding common shares.

Such options will be exercisable for a period of up to 10 years from the date of grant at a price not less than the closing price of the Company's shares on the last trading day before the grant of such options less any discount, if applicable, but in any event not less than \$0.05 per share.

Options may be exercised no later than 6 months following cessation of the optionee's position with the Company.

	March 31, 2017		December 31, 2016	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Options outstanding, beginning of period	6,300,000	\$ 0.11	3,850,000	\$ 0.14
Granted	800,000	0.05	2,450,000	0.06
Expired/Cancelled	(800,000)	0.50		
<b>Options outstanding, end of period</b>	<b>6,300,000</b>	<b>\$ 0.05</b>	<b>6,300,000</b>	<b>\$ 0.11</b>
		<b>2017</b>	<b>2016</b>	
Options exercisable, end of period		6,300,000	6,300,000	
Weighted average contractual remaining life (years)		3.67	3.28	

2,450,000 options were issued during 2016 under the 2015 Incentive Stock Option Plan which entitles the holders to acquire a common share of the Company at \$0.06 for 60 months.

800,000 options were issued during 2017 under the 2015 Incentive Stock Option Plan which entitles the holders to acquire a common share of the Company at \$0.05 for 60 months.





# Gungnir Resources Inc.

## Notes to Financial Statements

### For the periods ended March 31, 2017 and 2016

(expressed in Canadian dollars)

Unaudited – Prepared by Management

#### 7. SHARE CAPITAL (continued)

Summary of post consolidation stock options outstanding at March 31, 2017:

Number outstanding	Exercise price (\$)	Expiry date
1,750,000	0.05	July 4, 2019
850,000	0.05	July 8, 2020
450,000	0.05	July 14, 2020
2,450,000	0.06	October 3, 2021
800,000	0.05	January 20, 2022
<b>6,300,000</b>		

Share-based compensation of \$79,679 was incurred during 2017 (2016 - \$121,003).

The fair value of stock options was estimated at the grant date based on the Black-Scholes option pricing model, using the expected dividend yield of \$nil (2016 - \$nil), average risk-free interest rate of 1.17% (2016 – 0.62%), expected life of 5 years (2016 – 5 years), stock price of \$0.10 (2016 - \$0.05) and an expected volatility of 246% (2016– 226%).

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock based on historical volatility. Changes in these assumptions can materially affect the fair value estimate and therefore it is management’s view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company’s stock option grants.

#### Warrants

12,000,000 post consolidation warrants were issued during 2016 as part of a private placement financing that closed on September 28, 2016. Each warrant entitles the holder to acquire an additional common share of the Company at \$0.05 for 60 months.

The following table summarizes information about the warrants for period ended March 31, 2017 and year ended December 31, 2016

	March 31, 2017			December 31, 2016		
	Warrants	Weighted average exercise price		Warrants	Weighted average exercise price	
Beginning of year	7,800,000	\$ 0.05		7,800,000	\$ 0.05	
Granted	12,000,000	0.05		12,000,000	0.05	
Exercised	-	-		-	-	
Cancelled/Expired	-	-		-	-	
<b>Warrants outstanding, end of period</b>	<b>19,800,000</b>	<b>\$ 0.05</b>		<b>19,800,000</b>	<b>\$ 0.05</b>	
				<b>2017</b>	<b>2016</b>	
Weighted average contractual remaining life (years)				3.90	4.14	



# Gungnir Resources Inc.

## Notes to Financial Statements

### For the periods ended March 31, 2017 and 2016

(expressed in Canadian dollars)

Unaudited – Prepared by Management

#### 7. SHARE CAPITAL (continued)

Summary of post consolidation warrants outstanding at March 31, 2017:

Number outstanding	Exercise price (\$)	Expiry date
1,600,000	0.05	June 30, 2017
6,200,000	0.05	December 2, 2020
12,000,000	0.05	September 28, 2021
<b>19,800,000</b>		

#### Contributed surplus

Contributed surplus includes the accumulated fair value of agent options and fair value of finders' warrants granted on private placements and the accumulated fair value of expired or cancelled stock options and unit warrants. Contributed surplus is comprised of the following:

	Options	Warrants	Total
December 31, 2016	\$ 3,463,693	\$ 3,005,237	\$ 6,468,930
Options expired	141,600	-	141,600
Warrants expired	-	-	-
<b>March 31, 2017</b>	<b>\$ 3,605,293</b>	<b>3,005,237</b>	<b>\$ 6,610,530</b>

#### Loss per Share

Periods ended	March 31, 2017	March 31, 2016
Numerator: Net income / (loss) attributable to common shareholders – basic and diluted	\$ (168,007)	\$ (70,246)
Denominator: Weighted average number of common shares outstanding – basic and diluted	57,298,100	47,087,141
Basic and diluted income / (loss) per share	\$ (0.00)	\$ (0.00)

Diluted loss per share did not include the effect of 6,300,000 (December 2016 – 6,300,000) share purchase options, 19,800,000 (December 2016 – 19,800,000) warrants as they are anti-dilutive.



# Gungnir Resources Inc.

## Notes to Financial Statements

### For the periods ended March 31, 2017 and 2016

(expressed in Canadian dollars)

Unaudited – Prepared by Management

#### 8. CAPITAL MANAGEMENT

The Company manages its cash, common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

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

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.

#### 9. FINANCIAL INSTRUMENT RISK EXPOSURE AND RISK MANAGEMENT

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

##### *Credit risk*

The Company's credit risk is limited to cash, term deposits, GST receivable and reclamation bonds. As at March 31, 2017, the Company's financial instruments consist of interest-bearing short term investment-grade issued by a Canadian chartered bank. The Company does not believe that it is exposed to significant credit risk on financial instruments issued by the Canadian chartered bank.

##### *Interest rate risk*

The Company is exposed to interest rate risk on its cash, term deposits and reclamation bonds, but is not exposed to any interest rate risk on outstanding borrowing as there are none at March 31, 2017.

##### *Liquidity risk*

The Company manages its liquidity risk by ensuring that there is sufficient capital in order to meet the short-term business requirements. The Company maintains cash and short-term investments which are available on demand for this purpose.

##### *Other risks*

The Company considers commodity price risk, operational risk and foreign exchange risk to be immaterial and therefore does not include them in their sensitivity analysis.



# Gungnir Resources Inc.

## Notes to Financial Statements

### For the periods ended March 31, 2017 and 2016

(expressed in Canadian dollars)

Unaudited – Prepared by Management

#### 9. FINANCIAL INSTRUMENT RISK EXPOSURE AND RISK MANAGEMENT (*continued*)

##### FAIR VALUE HIERARCHY

The Company applied the following fair value hierarchy which prioritizes the inputs used in the valuation methodologies in measuring fair value into three levels:

The three levels are defined as follows:

\* Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

\* Level 2 – inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

\* Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The carrying values, fair market values, and fair value hierarchal classification of the Company's financial instruments are as follows:

		Level 1		Level 2		Level 3		Total
<b>March 31, 2017</b>	\$		\$				\$	
Cash and cash equivalents		191,159		-		-		191,159
Term deposits		11,528		-		-		11,528
Reclamation bonds		23,556		-		-		23,556
	\$	<b>226,243</b>	\$	-		-	\$	<b>226,243</b>



# Gungnir Resources Inc.

## Notes to Financial Statements

### For the periods ended March 31, 2017 and 2016

(expressed in Canadian dollars)

Unaudited – Prepared by Management

#### 10. EXPENSES

The Company's expenses from operations for the periods ended March 31, 2017 and 2016 are detailed as follows:

General and administration		2017		2016
Shareholder and regulatory	\$	10,565	\$	4,419
Travel and promotion		11,680		1,160
General exploration		-		-
Office		1,878		3,161
Non-current accounts payable write-off		-		(2,262)
	\$	24,124	\$	6,478

Compensation	Note	2017		2016
Consulting fees and wages		\$ 63,743	\$	64,001
Stock-based compensation	7	79,679		-
		\$ 143,422	\$	64,001

Professional fees		2017		2016
Accounting fees	\$	-	\$	-
Legal fees		500		-
	\$	500	\$	-

#### 11. RELATED PARTY TRANSACTIONS

Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount. The following are the related party transactions for the period:

Salaries paid to key management personnel for the period ended March 31, 2017 total \$30,750 (March 2016 - \$30,750). Stock-based compensation paid to key management personnel for the period ended March 31, 2017 total \$79,679 (March 2016 - \$NIL). Key management personnel are comprised of the Company's Chief Executive Officer and Chief Financial Officer.

At March 31, 2017, accounts payable and accrued liabilities include \$215,225 (March 2016 - \$184,475) due to directors and organizations controlled by directors.



# Gungnir Resources Inc.

## Notes to Financial Statements

### For the periods ended March 31, 2017 and 2016

(expressed in Canadian dollars)

Unaudited – Prepared by Management

#### 12. SEGMENTED INFORMATION

At March 31, 2017, the Company has two operating and reporting segments, being the Canadian and the Sweden exploration operations. The Company's information about its assets by geographic location is detailed below.

	Exploration	
	Canada	Sweden
March 31, 2017	\$ -	\$ 574,247
December 31, 2016	-	572,417

#### 13. SUBSEQUENT EVENTS

The Company has received the first annual Royalty Payment of \$1,000,000 on May 1, 2017 from the sale of the Kenville Gold Property in May of 2014. Further the Company expects to receive the additional four (4) payments totalling \$4,000,000 with annual payments of \$1,000,000 starting on or before the fourth anniversary following the closing date. Total consideration for the purchase of the Property was CDN\$5,900,000 satisfied by the delivery to Gungnir of a \$100,000 non-refundable deposit and an additional payment of \$800,000 received on the close of the transaction on May 1, 2014 and the first of the five annual payments of \$1,000,000 received on May 1, 2017.