



Consolidated Financial Statements

For the years ended July 31, 2017 and 2016



Grant Thornton

Independent Auditor's report

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To the Shareholders of Grizzly Discoveries Inc.

We have audited the accompanying consolidated financial statements of Grizzly Discoveries Inc., which comprise the consolidated statements of financial position as at July 31, 2017 and July 31, 2016, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Grizzly Discoveries Inc. as at July 31, 2017 and July 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements, which indicates that the Company incurred a net loss of \$255,509 during the year ended July 31, 2017 and, as of that date, the Company has a deficit of \$14,558,591. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Management's plan in regard to these matters is also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Edmonton, Canada
November 22, 2017

Grant Thornton LLP

Chartered Professional Accountants

GRIZZLY DISCOVERIES INC.
Consolidated statements of financial position

| As at July 31 | 2017 | 2016 |
|--|----------------------------|----------------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 42,938 | \$ 91,138 |
| Restricted cash (note 4) | 5,000 | 5,000 |
| Other current assets (note 5) | <u>52,675</u> | <u>58,107</u> |
| | 100,613 | 154,245 |
| Deposit (note 6) | 30,303 | 30,071 |
| Mineral properties (note 6) | <u>8,296,168</u> | <u>8,285,128</u> |
| TOTAL ASSETS | <u>\$ 8,427,084</u> | <u>\$ 8,469,444</u> |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 71,854 | \$ 73,119 |
| Reclamation provision (note 6) | <u>191,165</u> | <u>192,821</u> |
| TOTAL LIABILITIES | <u>263,019</u> | <u>265,940</u> |
| EQUITY | | |
| Share capital (note 8) | 19,975,034 | 19,842,144 |
| Warrant capital (note 8) | 23,059 | 8,879 |
| Contributed surplus | 2,724,563 | 2,655,563 |
| Deficit | <u>(14,558,591)</u> | <u>(14,303,082)</u> |
| TOTAL EQUITY | <u>8,164,065</u> | <u>8,203,504</u> |
| TOTAL LIABILITIES AND EQUITY | <u>\$ 8,427,084</u> | <u>\$ 8,469,444</u> |

Approved by the Board of Directors

Director (signed by) "Brian Testo"

Director (signed by) "Doug Turnbull"

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

GRIZZLY DISCOVERIES INC.
Consolidated statements of loss and comprehensive loss

| For the years ended July 31 | 2017 | 2016 |
|--|-------------------------|---------------------------|
| EXPENSES | | |
| General and administration (note 9) | \$ (155,644) | \$ (153,480) |
| Share based compensation (note 8) | (69,000) | (113,833) |
| Impairment (note 6) | (29,439) | (2,931,555) |
| Interest expense | (2,179) | (2,569) |
| | <u>(256,262)</u> | <u>(3,201,437)</u> |
| OTHER INCOME | | |
| Interest income | 753 | 940 |
| Gain on sale of asset | - | 8,737 |
| | <u>753</u> | <u>9,677</u> |
| TOTAL OTHER INCOME | 753 | 9,677 |
| NET LOSS AND COMPREHENSIVE LOSS | <u>(255,509)</u> | <u>(3,191,760)</u> |
| BASIC AND DILUTED LOSS PER COMMON SHARE | \$ (0.00) | \$ (0.06) |
| Weighted average number of common shares outstanding | <u>53,413,542</u> | <u>50,173,092</u> |

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

GRIZZLY DISCOVERIES INC.
Consolidated statements of changes in equity

| | Number of common shares | Share capital | Warrant capital | Contributed surplus | Deficit | Total equity |
|--|-------------------------------|---------------|--------------------|------------------------|-----------------|---------------|
| As at July 31, 2015 | 48,725,268 | \$ 19,653,042 | \$ - | \$ 2,541,730 | \$ (11,111,322) | \$ 11,083,450 |
| Net loss and comprehensive loss | - | - | - | - | (3,191,760) | (3,191,760) |
| Private placement financings (note 8) | 3,682,537 | 189,102 | 8,879 | - | - | 197,981 |
| Share based compensation (note 8) | - | - | - | 113,833 | - | 113,833 |
| As at July 31, 2016 | 52,407,805 | 19,842,144 | 8,879 | 2,655,563 | (14,303,082) | 8,203,504 |
| Net loss and comprehensive loss | - | - | - | - | (255,509) | (255,509) |
| Private placement financings (note 8) | 2,760,000 | 115,714 | 14,180 | - | - | 129,894 |
| Shares issued for services (note 8) | 361,600 | 17,176 | - | - | - | 17,176 |
| Share based compensation (note 8) | - | - | - | 69,000 | - | 69,000 |
| As at July 31, 2017 | 55,529,405 | \$ 19,975,034 | \$ 23,059 | \$ 2,724,563 | \$ (14,558,591) | \$ 8,164,065 |

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

GRIZZLY DISCOVERIES INC.
Consolidated statements of cash flows

| For the years ended July 31 | 2017 | 2016 |
|---|------------------|------------------|
| CASH PROVIDED BY (USED IN): | | |
| OPERATING ACTIVITIES: | | |
| Net loss | \$ (255,509) | \$ (3,191,760) |
| Items not affecting cash and cash equivalents: | | |
| Depreciation | - | 1,336 |
| Gain on sale of asset | - | (8,737) |
| Share based compensation | 69,000 | 113,833 |
| Shares issued for services (note 8) | 17,176 | - |
| Impairment | 29,439 | 2,931,555 |
| Increase in reclamation provision | 2,179 | 2,569 |
| Changes in non-cash working capital: | | |
| Other current assets | 8,421 | 21,002 |
| Accounts payable and accrued liabilities | 12,690 | (1,190) |
| | <u>(116,604)</u> | <u>(131,392)</u> |
| Cash and cash equivalents used in operating activities | | |
| | <u>(116,604)</u> | <u>(131,392)</u> |
| INVESTING ACTIVITIES: | | |
| Deposit | (232) | (1,893) |
| Proceeds on sale of equipment | - | 16,000 |
| Mineral properties expenditures | (61,258) | (64,840) |
| | <u>(61,490)</u> | <u>(50,733)</u> |
| Cash and cash equivalents used in investing activities | | |
| | <u>(61,490)</u> | <u>(50,733)</u> |
| FINANCING ACTIVITIES: | | |
| Proceeds from issuance of shares (note 8) | 124,200 | 193,005 |
| Proceeds from issuance of warrants (note 8) | 13,800 | 8,879 |
| Finder fees paid (note 8) | (3,800) | - |
| Costs of share issuance | (4,306) | (3,903) |
| | <u>129,894</u> | <u>197,981</u> |
| Cash and cash equivalents provided by financing activities | | |
| | <u>129,894</u> | <u>197,981</u> |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (48,200) | 15,856 |
| Cash and cash equivalents – beginning of year | <u>91,138</u> | <u>75,282</u> |
| CASH AND CASH EQUIVALENTS – END OF YEAR | \$ 42,938 | \$ 91,138 |

See Note 10 for supplemental cash flow information.

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

1. Nature of operations and going concern

Grizzly Discoveries Inc. (the “Company” or “Grizzly”) was incorporated on May 31, 2002 in Alberta and is in the business of acquiring and exploring mineral properties located in Canada. The Company has not yet determined whether these properties contain mineral reserves that are economically recoverable. The Company’s registered office is Suite 3400, 350 7 Avenue SW, Calgary, Alberta, T2P 3N9. The Company’s head office is at Suite 363 – 9768 170 Street NW, Edmonton, Alberta, T5T 5L4.

Long-term continuance of the Company’s operations is dependent upon achieving profitable operations and obtaining additional equity or debt financing. The recoverability of the carrying values of the Company’s mineral properties is dependent upon the existence and discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties and future profitable production from or proceeds from the disposition of mineral properties.

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of operations. As at July 31, 2017, the Company has a deficit of \$14,558,591 (2016 - \$14,303,082) and the Company has not yet determined whether its mineral properties contain mineral deposits that are economically recoverable. These material uncertainties may cast doubt regarding the Company’s ability to continue as a going concern. At the current stage of the Company’s development, the ability of the Company to continue as a going concern is dependent upon its ability to obtain additional sources of financing. Management’s intentions are to continue to pursue additional financing (see note 13 – Subsequent events). If the Company is unsuccessful in obtaining additional financing to fund operations and the exploration and development of its mineral properties, the going concern assumption may not be appropriate and adjustments would be necessary to the carrying value of assets and liabilities and reported revenues and expenses. Such adjustments may be material.

2. Basis of presentation

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”) and include the accounts of the Company and its wholly owned subsidiary Alberta Potash Corp. (incorporated in Alberta). All intercompany balances and transactions have been eliminated on consolidation.

These consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian Dollars unless otherwise noted.

These consolidated financial statements were approved by the Board of Directors of the Company on November 22, 2017.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to both years presented in these consolidated financial statements.

a) Management estimates and judgements

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the amounts reported and disclosed in its consolidated financial statements and related notes. Those include estimates that, by their nature, are uncertain and actual results could differ materially from those estimates. The impacts of such estimates may require accounting adjustments based on future results. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

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

i) Share-based compensation and payments

The fair value of equity-settled share-based compensation to employees, consultants, directors, officers, and others providing similar services are measured at the fair value of equity instruments at the grant date.

Share based payments to parties other than those described above are measured at the fair value of the goods or services received, except where the fair value cannot be estimated reliably, in which case they are measured at fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Fair value of options granted as share based compensation is determined using the Black-Scholes Option Pricing Model based on estimates at the date of grant. The Black-Scholes Option Pricing Model utilizes subjective assumptions such as expected price volatility and expected life of the award. Changes in these assumptions can significantly affect the fair value estimate.

ii) Deferred taxes

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

iii) Impairment of assets

Mineral property expenditures: Recognition of mineral property expenditures requires judgment from management in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Management is required to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established, and takes into consideration variables such as long-term commodity prices, exploration potential and extraction costs. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amounts capitalized are written off in profit or loss in the period when the new information becomes available.

iv) Depreciation

The Company provides for depreciation using the declining balance method at rates designed to amortize the cost of individual items and their material components over their estimated useful lives. Management's judgment is involved in the determination of useful life and residual values for the calculation of depreciation and no assurance can be given that actual useful lives and residual values will not differ significantly from management's assumptions.

v) Reclamation provisions

When providing for rehabilitation, the Company uses assumptions based on the current economic environment which management believes are reasonable upon which to estimate the future

liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates will result in changes to the liability from year to year. Actual costs to settle the future liability will ultimately depend on the market condition at the time the costs are actually incurred.

b) Cash and cash equivalents

Cash and cash equivalents are comprised of: cash on hand; cash on deposit with the Company's financial institution, and; highly liquid investments with maturity dates of three months or less. Restricted cash, when applicable, is presented separately from cash and cash equivalents as a current or non-current asset depending on the nature of the restrictions.

c) Farm-outs in the exploration and evaluation phase

The Company does not record any expenditure made by the farmee on its account. It also does not recognize any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalized in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalized in relation to the whole interest with any excess accounted for by the farmer as a gain on disposal.

d) Financial instruments

The Company classifies financial assets as fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments or as loans and receivables. The Company classifies financial liabilities as either at fair value through profit or loss or at amortized cost using the effective interest method. Financial assets and financial liabilities are recognized initially at fair value. Transaction costs, other than those related to the financial instruments classified as financial assets and liabilities at fair value through profit or loss, are added to the fair value of the financial asset and financial liability on initial recognition and amortized using the effective interest method.

Financial assets and financial liabilities classified as fair value through profit or loss are re-measured at fair value at the end of each reporting period, with gains or losses recognized in profit and loss.

Financial assets classified as available-for-sale are re-measured at fair value at the end of each reporting period with gains or losses recognized in other comprehensive income until assets are derecognized or become impaired.

Financial assets classified as loans and receivables and held-to-maturity investments and financial liabilities that are not classified as fair value through profit or loss are subsequently measured at amortized cost using the effective interest method.

The Company assesses, at the end of each reporting period, whether there is objective evidence that financial assets are impaired. A financial asset is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset that has a negative impact on the estimated future cash flows of the financial asset that can be reasonably estimated.

e) Foreign currency

The Canadian dollar is the functional and presentation currency of the Company and the Company's subsidiary. Transactions in foreign currencies are translated into the functional currency at exchange

rates in effect on the transaction date. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at exchange rates in effect on the reporting date. Non-monetary items are translated at historical exchange rates, except where such items are carried at fair value, in which case they are translated at the exchange rate in effect at the reporting date. The resulting foreign exchange gains or losses are recognized in profit or loss in the periods in which they occur.

f) Income taxes

Income tax expense or recovery is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit and loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to the instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting year the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

g) Government grants

Under certain circumstances the Company receives a benefit from government incentive programs such as investment tax credits. Government incentives are accrued when there is reasonable assurance of realization and reflected as a reduction of the related asset or expense. If the government incentive benefits received are less than the amount accrued and claimed, the difference will be reflected in the measurement of the related asset or in profit and loss in the year in which it is determined.

h) Mineral interests

Mineral property acquisition costs and exploration costs directly related to specific properties are deferred, commencing on the date that the Company acquires legal rights to explore a mineral property, until technical and economic feasibility of extracting a mineral resource is demonstrable, or until the properties are sold or abandoned. All other costs, including administrative overhead are expensed as incurred. If the properties are put into commercial production, the acquisition and exploration expenditures will be depleted using the units of production basis based upon the proven reserves available. If the properties are sold or abandoned, these expenditures will be written off.

Mineral interests are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed their recoverable amount, which is the higher of the asset's fair value less costs to sell and its value in use. Where there is evidence of impairment, the net carrying amount of the asset will be written down to its recoverable amount. Impairment losses are reversed if circumstances change and the net recoverable amount subsequently increases.

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many resource properties. The Company has investigated title to all its mineral properties and, to the best of its knowledge, title to all its properties are in good standing.

i) Income (loss) per share

Income (loss) per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the period. Diluted per share amounts reflect the potential dilution that could occur if stock options or warrants to purchase common shares were exercised and converted to common shares. The treasury stock method of calculating diluted per share amounts is used whereby any proceeds from the exercise of stock options or warrants that are in the money are assumed to be used to purchase common shares of the Company at the average market price during the year. When the Company is in a net loss position, the exercise of options and warrants is anti-dilutive.

j) Provisions

A provision is recognized when; the Company has a present legal or constructive obligation because of a past event, it is probable that a future outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a financing expense.

k) Share based payments

Share-based compensation related to the issuance of stock options to employees, consultants, directors, and officers pursuant to the Company's stock option plan, is accounted for using the fair value method whereby compensation expense related to these programs is recorded in profit or loss with a corresponding increase to contributed surplus in equity. The fair value of options of compensation warrants issued to agents is recorded as share issue costs with a corresponding increase to contributed surplus.

The fair value of options granted to employees (as defined in IFRS 2) is determined at the grant date using the Black Scholes option pricing model and expensed over the vesting period. The fair value of options and compensation warrants granted to non-employees are valued at the estimated value of the goods or services provided by the non-employee. In the case that the value of goods or services received is not determinable, the Company values these options using the Black Scholes option pricing model.

Consideration paid on the exercise of stock options and warrants is credited to share capital. Upon the exercise of the stock options or compensation warrants, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company incorporates an estimated forfeiture rate for stock options and agent's warrants that may not vest.

l) Shares and warrants – measurement

The Company records the value of shares and warrants separately upon the issuance of units consisting of common shares and warrants. The fair value of the shares included in each unit is determined with reference to their market value on the unit issue date, and the residual amount, calculated by subtracting the fair value of the common shares included in the unit from the total consideration received for the unit, is allocated to the warrants.

Where the fair value of the common shares included in the unit is determined to be equal to or greater than the consideration received for the unit, the consideration received is allocated to common shares and nil to the warrants.

m) Related party transactions

The Company recognizes related party transactions at their exchange amount, being the amount of consideration paid for received for goods, services, assets or liabilities, provided that the related party transaction is i) in the normal course of business, and ii) has economic substance. For related party transactions which are not in the normal course of business and have no economic substance, the Company records the transaction at the carrying amount.

n) Current and future changes in accounting standards and policies

Accounting standards, amendments, and interpretations to existing standards effective and adopted by the Company in the current year

Amendments to International Accounting Standard (“IAS”) 32 have provided clarification on the application of criteria for offsetting financial assets and financial liabilities, providing a meaning of the phrase “currently has a legally enforceable right of set-off” and that some gross mechanisms may be considered equivalent to net settlement. These amendments have not had a material effect on the Company’s consolidated financial statements.

IAS 36 has been amended to clarify that an entity is required to disclose the recoverable amount of an asset (or cash generating unit) whenever an impairment loss has been recognized or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired assets is based on fair value less costs of disposal, including additional information about fair value measurement including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made, and the discount rates used if fair value less costs of disposal is measured using a present value technique. These amendments have not had a material effect on the Company’s consolidated financial statements.

Recent accounting pronouncements

IFRS 9 *Financial Instruments* has recently been released by the IASB representing the completion of its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard introduces extensive changes to IAS 39’s guidance on the classification and measurement of financial assets and introduces a new ‘expected credit loss’ model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting. The Company has yet to assess the impact of IFRS 9 on its financial instruments on the consolidated financial statements. The new standard is required to be applied for annual periods beginning on or after January 1, 2018.

In January 2016, the IASB issued IFRS 16 *Leases* (“IFRS 16”). This standard is effective for annual periods beginning on or after January 1, 2019, and permits early adoption, provided IFRS 15 *Revenue from*

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contracts with Customers has been applied, or is applied at the same date as IFRS 16. IFRS 16 requires lessees to recognize assets and liabilities for most leases. The Company is in the process of determining the impact of IFRS 16 on its consolidated financial statements.

4. Restricted cash

The Company has restricted cash in the amount of \$5,000 (2016 - \$5,000) as security for corporate credit card liabilities.

5. Other current assets

| As at July 31 | 2017 | 2016 |
|--|-------------------------|-------------------------|
| Accounts receivable | \$ 1,388 | \$ 1,407 |
| Goods and services tax receivable | 2,176 | 4,696 |
| Mineral exploration tax credits receivable | 2,949 | 5,323 |
| Prepayments and deposits | <u>46,162</u> | <u>46,681</u> |
| Total other current assets | <u>\$ 52,675</u> | <u>\$ 58,107</u> |

The Company holds securities of publicly traded companies which it has classified as available-for-sale, carried at fair value, with unrealized gains and losses held as a component of accumulated other comprehensive loss in equity, net of deferred taxes.

6. Mineral Properties

| | Alberta Diamond Properties | Alberta Potash Properties | BC Precious Metals Properties | Total |
|----------------------------------|----------------------------------|---------------------------------|-------------------------------------|----------------------------|
| Balance, July 31, 2015 | \$ 1 | \$ 2,882,560 | \$ 8,269,138 | \$ 11,151,699 |
| Acquisition costs | 625 | 7,243 | 11,884 | 19,752 |
| Exploration and evaluation costs | 66,915 | 2,978 | 12,420 | 82,313 |
| Reclamation | - | (37,081) | - | (37,081) |
| Impairment | (67,540) | (2,855,699) | (8,316) | (2,931,555) |
| Balance, July 31, 2016 | 1 | 1 | 8,285,126 | 8,285,128 |
| Acquisition costs | - | 6,818 | 17,391 | 24,209 |
| Exploration and evaluation costs | 12,100 | 1,166 | 6,839 | 20,105 |
| Reclamation | - | (3,835) | - | (3,835) |
| Impairment | (12,100) | (4,149) | (13,190) | (29,439) |
| Balance, July 31, 2017 | <u>\$ 1</u> | <u>\$ 1</u> | <u>\$ 8,296,166</u> | <u>\$ 8,296,168</u> |

Option Agreement

On September 23, 2015, the Company and KG Exploration (Canada) Inc., a wholly owned subsidiary of Kinross Gold Corporation, entered into an option agreement (the "Kinross Option") whereby the Company has

granted to KG Exploration (Canada) Inc. an option to earn a 75% ownership interest in certain mineral claims ("Option Area") within the Company's Greenwood Project.

The Kinross Option requires that KG Exploration (Canada) Inc. incur USD 3,000,000 in exploration expenditures on the Option Area within five years of entering the Kinross Option, including incurring USD 750,000 and drilling a minimum of 750 metres within the first two years of the Kinross Option, in order to earn a 75% interest in the Option Area.

The Option Area consists of mineral claims covering approximately 27,000 hectares of the Company's Greenwood Gold Project, and represents approximately one third of the total area of the Greenwood Project.

Provided KG Exploration (Canada) Inc. completes the terms of the Kinross Option, the Kinross Option contemplates the subsequent formation of a "joint venture" whereby each of the parties would fund its proportionate share of expenditures for exploration, development, and maintenance costs and receive its proportionate share of production. The Kinross Option includes provisions for dilution in the case one party chooses not to contribute its proportionate share; if a party's interest is diluted below 10%, its interest shall be converted to a 2% net smelter royalty and the non-diluting party would have a 100% interest in the mineral claims constituting the Option Area.

Alberta Potash Properties

The Company has an outstanding environmental reclamation provision related to the reclamation of two exploratory potash test wells in Southern Alberta, recorded in the consolidated statement of financial position as a reclamation provision. Based on information currently available, the Company has recorded a reclamation provision in the amount of \$191,165 (2016 - \$192,821), being the present value of management's current estimate of the well site reclamation, discounted using a risk free rate of 1.34% (2016 - 1.13%) with an estimated settlement date of July 31, 2020 (2016 - July 31, 2017). The Company has a security deposit outstanding related to these wells in the amount of \$30,303 (2016 - \$30,071), including accumulated interest, pursuant to government regulation. The security deposit and accumulated interest is refundable to the Company upon successful reclamation of the wells and has therefore been classified as non-current on the consolidated statement of financial position.

As the Company has not conducted substantive exploration on the Alberta Potash properties in several years and, as a result, in the year ended July 31, 2016 the Company impaired the carrying value to a nominal amount of \$1. Mineral claims underlying the Alberta Potash properties have expired in the year ended July 31, 2017 and the Company has re-acquired the claims assessed to be most prospective for potash through non-competitive bids with the Government of Alberta. The Company does not currently have plans or the financial resources to explore the Alberta Potash Properties. In the case that materially all mineral claims in the Alberta Potash Property expire and are not re-acquired, the nominal \$1 carrying value will be derecognized through impairment.

BC Precious Metals Properties

Greenwood

During the year ended July 31, 2008, Grizzly signed two option agreements to acquire a 100% interest in the Greenwood property. The vendor retains a combined 2.5% net smelter royalty ("NSR") on the property which Grizzly can reduce by up to 1.5% for a price of \$1,500,000. All of the expenditure requirements under the option agreements have been met and the Company is now the 100% owner of the underlying mineral claims subject to the NSR.

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During the year ended July 31, 2009, Grizzly signed an option agreement to acquire a 100% interest in the Sidley Gold-Dayton Copper property, contiguous with Grizzly's other Greenwood claims. The vendor will retain a 2.5% NSR which Grizzly can reduce by up to 1.5% for a price of \$1,500,000. The Company is the 100% owner of the underlying mineral claims subject to the NSR described above.

Prior to August 1, 2010, the Company had acquired several mineral claims which form part of the Company's Greenwood Gold project. Certain of these properties are subject to a 3% net smelter royalty.

Twenty percent of certain mineral claims underlying the Greenwood property (the "Rock Creek claims") are owned by an unrelated third party and are subject to a carried interest.

Impairment

The Company incurred net costs totaling \$13,190 (2016 - \$8,316) related to its French and Silver Bear properties in British Columbia which has been written down to a nominal carrying value of \$1 in prior years. These costs have been reported as impairment on the consolidated statements of loss and comprehensive loss.

The Company incurred costs of \$12,100 (2016 - \$67,540) related to its Alberta Diamonds properties which had been written down to a nominal carrying value of \$1 in prior years. These costs have been reported as an impairment on the consolidated statements of loss and comprehensive loss.

The Company incurred costs of \$7,984 (2016 - \$41,347) related to its Alberta Potash properties which had been written down to a nominal carrying value of \$1 in the prior year. These costs have been reported as an impairment on the consolidated statements of loss and comprehensive loss and were offset by a reduction of \$3,835 due to discounting of a reclamation provision.

7. Income Taxes

Income tax expense

| For the years ended July 31 | 2017 | 2016 |
|---|-----------------|-------------|
| Current tax expense | \$ - | \$ - |
| Deferred tax expense: | | |
| Origination and reversal of temporary differences | (51,979) | (833,465) |
| Change in unrecognized deductible temporary Differences | 51,979 | 831,468 |
| Change in estimates related to prior years | - | 1,997 |
| Total income tax expense | \$ - | \$ - |

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The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax as follows:

| For the years ended July 31 | 2017 | 2016 |
|--|---------------|----------------|
| Loss before tax | \$ (255,509) | \$ (3,191,760) |
| Statutory combined income tax rate | <u>27.00%</u> | <u>27.00%</u> |
| Expected income tax | \$ (68,987) | \$ (861,775) |
| Increase (decrease) resulting from: | | |
| Non-deductible expenses | 17,648 | 30,786 |
| Change in tax rates and rate differences | (640) | (2,476) |
| Change in unrecognized assets | 51,979 | 831,468 |
| Change in estimates related to prior years | <u>-</u> | <u>1,997</u> |
| Income tax expense | \$ - | \$ - |

Recognized deferred tax assets and liabilities

Deferred tax assets are attributable to the following:

| As at July 31 | 2017 | 2016 |
|-------------------------------|-------------|------------------|
| Other current assets | \$ - | \$ 15,204 |
| Equipment | - | 4,490 |
| Reclamation provision | - | 62,074 |
| Investment tax credits (net) | - | 51,526 |
| Non-capital losses | 560,651 | 436,293 |
| Intangibles | <u>-</u> | <u>48</u> |
| Deferred tax assets | 560,651 | 569,635 |
| Set off of tax | <u>-</u> | <u>(569,635)</u> |
| Net deferred tax asset | \$ - | \$ - |

Deferred tax liabilities are attributable to the following:

| As at July 31 | 2017 | 2016 |
|-----------------------------------|---------------------|---------------------|
| Mineral properties | <u>\$ (560,651)</u> | <u>\$ (569,635)</u> |
| Deferred tax liabilities | (560,651) | (569,635) |
| Set off of tax | <u>560,651</u> | <u>569,635</u> |
| Net deferred tax liability | \$ - | \$ - |

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Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

| As at July 31 | 2017 | 2016 |
|----------------------------------|---------------------|---------------------|
| Deductible temporary differences | \$ 404,324 | \$ 3,122 |
| Tax losses | <u>4,544,180</u> | <u>4,810,411</u> |
| | <u>\$ 4,948,504</u> | <u>\$ 4,813,533</u> |

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom. The Company has \$6,620,665 (2016 - \$6,463,391) of Canadian non-capital loss carry-forwards, of which \$4,544,180 have not been recognized, which are estimated to expire between 2026 and 2037.

8. Share capital

Private placement – Year ended July 31, 2017

On March 31, 2017, the Company completed a private placement of 2,760,000 units for gross proceeds of \$138,000, paid a cash finder fee of \$3,800, and issued 76,000 finder warrants with terms equivalent to those of the warrants as described below.

Each unit is comprised of one common share in the capital of the Company and one common share purchase warrant with an exercise price of \$0.075 per common share. Each of the warrants and finder warrants entitles the holder to acquire one additional common share at \$0.075 until March 31, 2019 or, if during the exercise period of the warrants, but after the resale restrictions on the shares have expired, the Company's shares trade at or above a weighted average trading price of \$0.12 per share on the TSX Venture Exchange for 10 consecutive trading days, the Company may accelerate the expiry time of the warrants by issuing a news release and giving written notice to holders of warrants stating that the warrants will expire 30 days from the date of such notice.

The Company has allocated the proceeds in this private placement using the residual value method whereby the fair value of the shares on the closing date was determined to be \$0.045 per common share, with the residual amount of \$0.005 remaining to be allocated to the warrants. The finders warrants, having identical terms to the warrants, have also been deemed to be valued at \$0.005 per finders warrant.

Private placements – Year ended July 31, 2016

On December 9, 2015, the Company closed a non-brokered private placement of 887,857 units for gross proceeds of \$62,150. Each unit sold for \$0.07 and consisted of one common share and one common share purchase warrant entitling the warrant holder to acquire an additional common share at an exercise price of \$0.12 until December 9, 2017. The company has allocated the proceeds in this private placement using the residual value method whereby the fair value of the shares on the closing date was determined to be \$0.06 per common share, and the residual amount of the unit sale price of \$0.01 per unit was allocated to the warrants.

On April 25, 2016, the Company closed a non-brokered private placement of 2,794,680 units for gross proceeds of \$139,734. Each unit sold for \$0.05 and consisted of one common share and one common share purchase warrant entitling the warrant holder to acquire an additional common share at an exercise price of \$0.075 until the earlier of a) April 25, 2018 and b) 30 days following the issuance of a news release by the

Company that the trading price of the common shares on the TSX Venture Exchange is at or greater than \$0.12 for 10 consecutive trading days. The Company has allocated the proceeds in this private placement using the residual value method whereby the fair value of the shares on the closing date was determined to be \$0.05 per common share, with no residual amount remaining to be allocated to the warrants.

Shares issued for services

On February 23, 2017, the Company entered into an agreement (the "Agreement") with AGORA Internet Relations Corp. ("AGORA") to increase awareness about Grizzly via the web to the investment community.

Under the terms of the Agreement, Grizzly shall issue shares with aggregate deemed value of \$40,000 (plus HST) in five tranches over the one year term of the Agreement, ending March 1, 2018, as follows:

- Shares valued at \$8,000+HST upon commencement of the Agreement (March 1, 2017)
- Shares valued at \$8,000+HST following each three-month period during the term of the Agreement

The number of shares to be issued at the end of each period is determined with reference to the closing price of the common shares of the Company on the TSX Venture Exchange on the first trading day following each period for which the Advertising Services were provided by AGORA, subject to a minimum price of \$0.05 per share. Each issuance of shares for Advertising Services by AGORA is subject to TSX Venture approval.

On March 2, 2017, the Company issued 180,800 common shares as the initial payment to AGORA with a total deemed value of \$9,944. This share issuance has been recorded at a value of \$0.055 per share based on the closing price of the Company's common shares on the TSX Venture Exchange on the date of issuance as an increase to share capital and general and administrative expense in the condensed consolidated interim financial statements.

On July 14, 2017, the Company issued 180,800 common shares as the second payment to AGORA with a total deemed value of \$7,232. This share issuance has been recorded at a value of \$0.04 per share based on the closing price of the Company's common shares on the TSX Venture Exchange on the date of issuance as an increase to share capital and general and administrative expense in the condensed consolidated interim financial statements.

An additional \$5,300 related to the next share payment required under the Agreement subsequent to July 31, 2017 has been accrued in the condensed consolidated interim financial statements as an increase to accounts payable and general and administrative expense.

On July 13, 2017, the Agreement was amended by the parties thereto to extend the term of the Agreement by two months to end on May 1, 2018. No additional consideration is payable to AGORA in relation to this term extension.

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Common shares

The Company's articles authorize an unlimited number of common shares with no par value and an unlimited number of preferred shares. The Company has not issued any preferred shares. A summary of changes in common share capital is as follows:

| | Number of Shares | Weighted average issue price | Amount |
|---|-----------------------------|---|----------------------|
| Balance, July 31, 2015 | 48,725,268 | | \$ 19,653,042 |
| Issuance of shares in private placements: | | | |
| December 9, 2015 | 887,857 | \$ 0.06 | 53,271 |
| April 25, 2016 | 2,794,680 | \$ 0.05 | 139,734 |
| Costs of share issuance | - | | (3,903) |
| | | | <hr/> |
| Balance, July 31, 2016 | 52,407,805 | | \$ 19,842,144 |
| Issuance of shares in private placements: | | | |
| March 31, 2017 | 2,760,000 | \$ 0.045 | 124,200 |
| Shares issued for services | 361,600 | \$ 0.048 | 17,176 |
| Costs of share issuance | - | | (8,486) |
| | | | <hr/> |
| Balance, July 31, 2017 | 55,529,405 | | \$ 19,975,034 |

Common share purchase warrants

A summary of changes in common share purchase warrant capital is as follows:

| | Number of Warrants | Weighted average issue price | Amount |
|---|-------------------------------|---|------------------|
| Balance, July 31, 2015 | - | | \$ - |
| Issuance of warrants in private placements: | | | |
| December 9, 2015 | 887,857 | \$ 0.01 | 8,879 |
| April 25, 2016 | 2,794,680 | \$ - | - |
| | | | <hr/> |
| Balance, July 31, 2016 | 3,682,537 | | \$ 8,879 |
| Issuance of warrants in private placements: | | | |
| March 31, 2017 | 2,760,000 | \$ 0.005 | 13,800 |
| Finders' Warrants | 76,000 | \$ 0.005 | 380 |
| | | | <hr/> |
| Balance, July 31, 2017 | 6,518,537 | | \$ 23,059 |

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A summary of share purchase warrants outstanding is as follows:

| As at July 31, 2017 | | | | As at July 31, 2016 | | | |
|---------------------|----------------------|----------------------|-----------------|---------------------|----------------------|----------------------|-----------------|
| Exercise price | Warrants outstanding | Warrants exercisable | Years to expiry | Exercise price | Warrants outstanding | Warrants exercisable | Years to expiry |
| \$ 0.10 | 887,857 | 887,857 | 0.4 | \$ 0.10 | 887,857 | 887,857 | 1.4 |
| \$ 0.075 | 2,794,680 | 2,794,680 | 0.7 | \$ 0.075 | 2,794,680 | 2,794,680 | 1.7 |
| \$ 0.075 | 2,760,000 | 2,760,000 | 1.7 | \$ - | - | - | - |
| \$ 0.075 | 76,000 | 76,000 | 1.7 | \$ - | - | - | - |
| \$ 0.081 | 6,518,537 | 6,518,537 | 1.1 | \$ 0.086 | 3,682,537 | 3,682,537 | 1.6 |

Common share purchase options

A summary of stock option activity is as follows:

| | Number of options | Weighted average exercise price |
|---|-------------------------|---------------------------------|
| Outstanding stock options, July 31, 2015 | 4,315,000 | \$ 0.10 |
| Granted | 2,200,000 | \$ 0.075 |
| Expired | <u>(1,690,000)</u> | \$ 0.10 |
| Outstanding stock options, July 31, 2016 | 4,400,000 | \$ 0.09 |
| Granted | 2,300,000 | \$ 0.05 |
| Expired | <u>(1,500,000)</u> | \$ 0.10 |
| Outstanding stock options, July 31, 2017 | <u>5,200,000</u> | \$ 0.07 |

A summary of stock options outstanding is as follows:

| As at July 31, 2017 | | | | As at July 31, 2016 | | | |
|---------------------|---------------------|---------------------|-----------------|---------------------|---------------------|---------------------|-----------------|
| Exercise price | Options outstanding | Options exercisable | Years to expiry | Exercise price | Options outstanding | Options exercisable | Years to expiry |
| \$ - | - | - | - | \$ 0.10 | 1,100,000 | 1,100,000 | 0.3 |
| \$ 0.10 | 200,000 | 200,000 | 0.3 | \$ 0.10 | 200,000 | 200,000 | 1.3 |
| \$ 0.10 | 300,000 | 300,000 | 0.6 | \$ 0.10 | 300,000 | 300,000 | 1.6 |
| \$ 0.10 | 200,000 | 200,000 | 1.8 | \$ 0.10 | 200,000 | 200,000 | 2.8 |
| \$ - | - | - | - | \$ 0.10 | 400,000 | 400,000 | 0.5 |
| \$ 0.075 | 2,200,000 | 2,200,000 | 3.8 | \$ 0.075 | 2,200,000 | 2,200,000 | 4.8 |
| \$ 0.05 | 2,300,000 | 2,300,000 | 4.9 | \$ - | - | - | - |
| \$ 0.07 | 5,200,000 | 5,200,000 | 3.9 | \$ 0.09 | 4,400,000 | 4,400,000 | 2.8 |

During the year ended July 31, 2017, the Company issued 2,300,000 stock options to directors, officers, and consultants (2016 – 2,200,000) at an exercise price of \$0.05 per common share (2016 - \$0.075 per common share) and expiring no later than 5 years from the issue date. These options all vested upon issuance.

The total estimated fair value of the 2,300,000 (2016 – 2,200,000) common share purchase options vested during the year of \$69,000 (2016 - \$113,833) was recorded as share based compensation expense and an increase to contributed surplus. The weighted average grant date fair value of \$0.03 (2016 - \$0.05) per option granted was estimated using the Black Scholes option pricing model using the following weighted average grant date assumptions: grant date stock price \$0.035 (2016 - \$0.065); risk-free rate 1.47% (2016 – 0.68%); expected volatility 120% (2016 - 127%); annual dividend yield 0%; expected life of option 5 years. The expected volatility is based on historic volatility (based on the remaining life of the options) adjusted for any expected changes to future volatility due to publicly available information.

9. General and administrative expenses

| For the years ended July 31 | 2017 | 2016 |
|--|-------------------|-------------------|
| Advertising and promotion | \$ 29,416 | \$ 6,307 |
| Conferences and corporate travel | 7,876 | 6,466 |
| Consulting fees (note 12) | 48,000 | 66,483 |
| Office and administration | 18,966 | 20,103 |
| Regulatory and transfer fees | 16,856 | 23,054 |
| Depreciation | - | 1,336 |
| Professional fees | 34,530 | 29,731 |
| | <hr/> | <hr/> |
| General and administrative expenses | \$ 155,644 | \$ 153,480 |

10. Supplemental cash flow information

Interest and dividends received and paid

During the year ended July 31, 2017, the Company received interest of \$743 (2016 - \$940) from deposits with its financial institution and from the Canada Revenue Agency. The Company did not pay any interest or dividends, nor did it receive any dividends, in either of the years ended July 31, 2017 or 2016.

Non cash transactions eliminated from the consolidated statements of cash flows

The following table lists non cash transactions which were recorded in the years ended July 31, 2017 and 2016 and have been eliminated from the consolidated statements of cash flows.

| For the years ended July 31 | 2017 | 2016 |
|--|------------|-------------|
| Mineral exploration tax credits accrued as a reduction of mineral properties | \$ (5,353) | \$ (5,353) |
| Change in estimate of reclamation provision | \$ 3,835 | \$ - |
| Increase (decrease) in accounts payable related to investing activities | \$ 13,955 | \$ (42,548) |
| Warrants issued as share issue costs | \$ 380 | \$ - |
| Shares issued for services | \$ 17,176 | \$ - |

11. Financial instruments and risk management

General objectives, policies and processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board and the Company's finance function is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility and to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. Further details regarding these policies are set out below.

The Company's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, other current assets, accounts payable and accrued liabilities.

Cash and cash equivalents, restricted cash, and accounts receivable (included in Other current assets on the consolidated statements of financial position) are classified as loans and receivables and measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities.

The Company is exposed to the following financial risks:

- i) Market risk
- ii) Credit risk
- iii) Liquidity risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in the note.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices are comprised of three types of risk: currency risk, interest rate risk, other price risk.

Currency risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company maintains a negligible United States of America Dollar ("USD") cash balance for incidental USD expenses, therefore is not exposed to a material amount of currency risk.

Interest rate risk

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company holds no interest-bearing financial liabilities, therefore interest rate risk is limited to potential decreases on the interest rate offered on cash and cash equivalents held with its financial institution. The Company considers this risk to be minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company monitors its risk by monitoring the maturity dates of payables. The Company's policy is to ensure that it will

always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

To achieve this objective, the Company regularly monitors working capital positions and updates spending plans as considered necessary. Further, the Company utilizes authorizations for expenditure on exploration projects to further manage expenditures. Monthly working capital and expenditure reports are prepared by the Company's finance function and presented to management for review.

At July 31, 2017, the Company's current liabilities consisted of accounts payable and accrued liabilities of \$71,854 (2016 – \$73,119) of which \$41,857 (2016 - \$29,754) is due within the subsequent two fiscal quarters. The Company's cash and cash equivalents of \$42,938 at July 31, 2017 (2016 - \$91,138), in addition to refundable goods and services input tax credits and mineral exploration tax credits receivable totalling \$5,125 (2016 - \$11,407), are not sufficient to pay these current liabilities.

As at July 31, 2017, Grizzly's working capital was \$28,759 (2016 - \$81,126). The continuing operations of the Company are dependent upon its ability to obtain adequate financing and to commence profitable operations in the future. Grizzly may have to seek additional debt or equity financing, and there can be no assurance that such financing will be available on terms acceptable to the Company.

Credit risk

Credit risk is the risk of potential loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents.

The Company has assessed its exposure to credit risk on its cash and cash equivalents and has determined that such risk is minimal. The majority of the Company's cash and cash equivalents are held with reputable financial institutions in Canada.

Fair values

The consolidated statement of financial position carrying amounts for cash and cash equivalents, restricted cash, and accounts payable and accrued liabilities approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

Financial assets and liabilities that are recognized on the consolidated statement of financial position at fair value are classified in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can assess at the measurement date;

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly as prices or indirectly derived from prices; and

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

As at July 31, 2017 and 2016, the Company has no recognized financial assets or liabilities carried at fair value other than marketable securities carried at their impaired fair value of nil.

Capital management

The Company monitors its equity as capital.

The Company's objectives in managing its capital are to maintain a sufficient capital base to support its operations and to meet its short-term obligations and at the same time preserve investors' confidence and retain the ability to seek out and acquire new projects of merit.

There were no changes since the prior year in the Company's capital management. The Company is not exposed to any externally imposed capital requirements.

12. Related party transactions

The following is a summary of the Company's related party transactions during the year:

Sale of equipment (year ended July 31, 2016)

During the year ended July 31, 2016, the Company sold a vehicle, originally purchased in the year ended July 31, 2011 at a cost of \$42,129, to an officer and director for the price of \$16,000. At the date of sale, the book value of the vehicle was \$7,263, and the resulting gain on sale was \$8,737.

The Company has determined the sale price to be fair value for the vehicle at the date of sale. The transaction was reviewed and approved by the audit committee.

Key management compensation

Key management personnel are persons responsible for planning, directing, and controlling the activities of an entity, and include officers and executive and non-executive directors. Key management personnel compensation is summarized below:

| For the years ended July 31 | 2017 | 2016 |
|---|------------------|-------------------|
| Management consulting fees paid to officers | \$ 48,000 | \$ 54,000 |
| Share based compensation | 42,000 | 70,000 |
| Total Key management compensation | \$ 90,000 | \$ 124,000 |

All cash settled amounts disclosed above were fully paid at July 31, 2017 and 2016.

The Company's related party transactions are in the normal course of operations and are measured at the amount of consideration agreed to by the related parties, with the exception of the fair value of share based compensation which is measured at its estimated fair value as determined using the Black Scholes option valuation model.

13. Subsequent events

On September 4, 2017, the Company announced a private placement of up to 5,000,000 units at a price of \$0.05 per unit, for gross proceeds of up to \$250,000. Each unit consist of one common share of the Company and one non-transferable common share purchase warrant with each warrant entitling the holder to acquire one additional common share of the Company at an exercise price of \$0.075 per common share until the earlier of: (a) 30 days following the issuance of a news release by the Company that the trading price of the Common Shares on the TSX Venture Exchange is at or greater than \$0.12 per Common Share for 10 consecutive trading days; and (b) 24 months from the date of issuance.

In connection with the private placement, where permitted by applicable securities legislation, any units sold to purchasers referred to the Company by registered broker dealers, limited market dealers, or other eligible arm's length persons (individually, a "Finder") may result in a cash commission in an amount equal to 10% of the gross proceeds of the units sold to such referred purchasers, to be paid out of the gross proceeds of units to the Finder at closing. As additional consideration, the Company may issue to the Finder common share purchase warrants (the "Finder Warrants") entitling the Finder to purchase an additional number of Common Shares equal to 10% of the aggregate number of units sold by the Finder in the private placement on the same terms as the warrants included in the units sold. Subject to regulatory approval, each Finder Warrant will be exercisable to acquire one common share at the corresponding exercise price of \$0.075 for a period of 24 months after the Closing Date, subject to the acceleration provision.

The Company has received subscriptions for 1,000,000 units and \$50,000 in advance subscription funds up to the date of approval of these financial statements.

The net proceeds from the sale of the Units will be used for general corporate and working capital purposes. All Common Shares issued under the Private Placement and any Common Shares issuable upon exercise of Warrants will be subject to a four month hold period from the date of issue in accordance with applicable laws and regulations. The Private Placement is subject to acceptance of the TSX Venture Exchange.