

# **Copperbank Resources Corp.**

**Condensed Consolidated Interim Financial Statements**

**Three and Six Months ended June 30, 2017 and 2016**

**(Unaudited - Expressed in Canadian Dollars)**

## **NOTICE TO READERS**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the accompanying condensed consolidated interim financial statements

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the Company's management.

**Copperbank Resources Corp.**  
**Condensed Consolidated Interim Statements of Financial Position**  
(Unaudited - Expressed in Canadian dollars)

|   | Note | June 30,<br>2017 | December 31,<br>2016 |
|---|------|------------------|----------------------|
|   |      | \$               | \$                   |
| <b>Assets</b>                                 |      |                  |                      |
| Current assets                                |      |                  |                      |
| Cash  |      | 711,515          | 47,316               |
| Other receivable                              |      | 19,170           | 20,329               |
| Prepaid expenses and deposit                  |      | 101,501          | 9,251                |
|   |      | 832,186          | 76,896               |
| Note receivable                               |      | 11,063           | 15,141               |
| Reclamation deposit                           | 5    | 2,595            | 2,685                |
| Resource properties                           | 5    | 5,629,527        | 4,634,075            |
| <b>Total Assets</b>                           |      | <b>6,475,371</b> | <b>4,728,797</b>     |
| <b>Liabilities</b>                            |      |                  |                      |
| Current liabilities                           |      |                  |                      |
| Accounts payable and accrued liabilities      |      | 10,170           | 209,359              |
| Due to related parties                        | 6    | –                | 26,231               |
|   |      | 10,170           | 235,590              |
| <b>Shareholders' equity (deficiency)</b>      |      |                  |                      |
| Share capital                                 | 4    | 15,996,965       | 13,519,605           |
| Reserves                                      |      | 22,445,816       | 22,254,306           |
| Deficit                                       |      | ( 31,977,580)    | ( 31,280,704)        |
|   |      | 6,465,201        | 4,493,207            |
| <b>Shareholders' Equity and Liabilities</b>   |      | <b>6,475,371</b> | <b>4,728,797</b>     |
| <i>Nature of operations and going concern</i> | 1    |                  |                      |
| <i>Subsequent events</i>                      | 9    |                  |                      |

Approved and authorized for issuance by the Board of Directors on August 29, 2017

"Tony Ricci"

Director

"Gianni Kovacevic "

Director

*See accompanying notes to the condensed consolidated interim financial statements*

**Copperbank Resources Corp.**  
**Condensed Consolidated Interim Statements of Comprehensive Loss**  
**(Unaudited - Expressed in Canadian dollars)**

|   |      | Three months ended June 30, |                  | Six months ended June 30, |                  |
|---|------|-----------------------------|------------------|---------------------------|------------------|
|   | Note | 2017                        | 2016             | 2017                      | 2016             |
|   |      | \$                          | \$               | \$                        | \$               |
| <b>EXPENSES</b>   |      |                             |                  |                           |                  |
| Amortization  |      | –                           | –                | –                         | 256              |
| Consulting and management fees                            | 6    | 184,834                     | 75,927           | 331,747                   | 153,205          |
| Mineral property maintenance                              | 5(b) | 70                          | –                | 8,911                     | –                |
| Filing fees and shareholders' services                    |      | 10,152                      | 7,950            | 16,114                    | 17,822           |
| Insurance   |      | 2,750                       | 630              | 6,000                     | 1,791            |
| Rental  |      | 13,853                      | 14,280           | 22,434                    | 29,479           |
| Office and administration                                 |      | 13,088                      | 4,731            | 15,777                    | 5,273            |
| Promotion, advertisement and<br>shareholder relations     |      | 21,086                      | 102,565          | 30,586                    | 129,620          |
| Professional fees   |      | 35,757                      | 4,387            | 46,355                    | 11,161           |
| Share-based compensation                                  | 4    | 139,100                     | 17,314           | 192,700                   | 36,050           |
| Travel  |      | 2,187                       | 28,278           | 26,584                    | 38,279           |
| Loss before other items:                                  |      | (422,877)                   | (256,062)        | (697,208)                 | (422,936)        |
| Other items:  |      |                             |                  |                           |                  |
| Gain on disposal of equipment<br>previously written off   |      | –                           | –                | –                         | 32,921           |
| Interest and other income                                 |      | 186                         | –                | 332                       | 549              |
| Total other items   |      | 186                         | –                | 332                       | 33,470           |
| <b>Net loss</b>   |      | (422,691)                   | (256,062)        | (696,876)                 | (389,466)        |
| <b>Other comprehensive loss:</b>                          |      |                             |                  |                           |                  |
| Exchange gain (loss) on translating<br>foreign operations |      | (573)                       | (3,768)          | (1,190)                   | (16,966)         |
| <b>Comprehensive loss</b>                                 |      | <b>(423,264)</b>            | <b>(259,830)</b> | <b>(698,066)</b>          | <b>(406,432)</b> |
| Loss per share, basic and diluted                         |      | (0.00)                      | (0.00)           | (0.00)                    | (0.00)           |
| Weighted average number of outstanding<br>shares          |      | 166,871,080                 | 139,795,222      | 159,785,664               | 136,465,604      |

*See accompanying notes to the condensed consolidated interim financial statements*

**Copperbank Resources Corp.**  
**Condensed Consolidated Interim Statements of Changes in Equity (Deficiency)**  
**(Unaudited - Expressed in Canadian dollars)**

|   | Common shares      |                   | Reserves         |                |                   | Accumulated<br>other<br>comprehensive<br>loss | Deficit             | Total            |
|---|--------------------|-------------------|------------------|----------------|-------------------|---|---------------------|------------------|
|   | Number             | Amount            | Warrants         | Options        | Other             |   |                     |                  |
| December 31, 2015                                   | 133,098,990        | 12,931,471        | 2,672,391        | 173,287        | 16,182,235        | 3,201,251                                     | (30,645,976)        | 4,514,659        |
| Issuance of shares for cash                         | 7,500,000          | 300,000           | –                | –              | –                 | –   | –                   | 300,000          |
| Issuance of shares for debt                         | 2,328,340          | 116,417           | –                | –              | –                 | –   | –                   | 116,417          |
| Shared-based compensation                           | –                  | –                 | –                | 36,050         | –                 | –   | –                   | 36,050           |
| Translation from foreign subsidiaries               | –                  | –                 | –                | –              | –                 | (16,966)                                      | –                   | (16,966)         |
| Net loss  | –                  | –                 | –                | –              | –                 | –   | (389,466)           | (389,466)        |
| <b>June 30, 2016</b>                                | <b>142,927,330</b> | <b>13,347,888</b> | <b>2,672,391</b> | <b>209,337</b> | <b>16,182,235</b> | <b>3,184,285</b>                              | <b>(31,035,442)</b> | <b>4,560,694</b> |
| December 31, 2016                                   | 145,614,830        | 13,519,605        | 2,672,391        | 209,409        | 16,182,235        | 3,190,271                                     | (31,280,704)        | 4,493,207        |
| Issuance of shares for debt (Note 4 (b) and Note 6) | 1,675,000          | 183,000           | –                | –              | –                 | –   | –                   | 183,000          |
| Issuance of shares for cash                         | 26,666,667         | 2,294,360         | –                | –              | –                 | –   | –                   | 2,294,360        |
| Shared-based compensation                           | –                  | –                 | –                | 192,700        | –                 | –   | –                   | 192,700          |
| Translation from foreign subsidiaries               | –                  | –                 | –                | –              | –                 | (1,190)                                       | –                   | (1,190)          |
| Net loss  | –                  | –                 | –                | –              | –                 | –   | (696,876)           | (696,876)        |
| <b>June 30, 2017</b>                                | <b>173,956,497</b> | <b>15,996,965</b> | <b>2,672,391</b> | <b>402,109</b> | <b>16,182,235</b> | <b>3,189,081</b>                              | <b>(31,977,580)</b> | <b>6,465,201</b> |

*See accompanying notes to the condensed consolidated interim financial statements*

**Copperbank Resources Corp.**  
**Condensed Consolidated Interim Statements of Cash Flows**  
**(Unaudited - Expressed in Canadian dollars)**

| Six months ended June 30,                            | 2017              | 2016              |
|--|-------------------|-------------------|
|  | \$                | \$                |
| <b>Operating activities</b>                          |                   |                   |
| Net loss for the period                              | ( 696,876)        | ( 389,466)        |
| Items not involving cash                             |                   |                   |
| Amortization   | –                 | 256               |
| Gain on disposal of equipment previously written off | –                 | (32,921)          |
| Share issued for consulting and management fees      | 138,000           | –                 |
| Share-based compensation                             | 192,700           | 36,050            |
| Changes in non-cash working capital                  |                   |                   |
| Prepaid expenses and deposits                        | ( 47,250)         | 92,164            |
| Receivable and note receivable                       | 4,137             | 3,288             |
| Due to related party                                 | (26,231)          | –                 |
| Accounts payable and accrued liabilities             | ( 199,189)        | 79,148            |
| <b>Cash used in operating activities</b>             | <b>( 634,709)</b> | <b>( 211,481)</b> |
| <b>Financing activities</b>                          |                   |                   |
| Proceeds from share issuance                         | 2,294,360         | 300,000           |
| <b>Cash provided by financing activities</b>         | <b>2,294,360</b>  | <b>300,000</b>    |
| <b>Investing activities</b>                          |                   |                   |
| Proceeds from sale of equipment                      | –                 | 13,251            |
| Expenditure and prepayment of resource properties    | ( 995,452)        | (156,000)         |
| <b>Cash Used in investing activities</b>             | <b>( 995,452)</b> | <b>( 142,749)</b> |
| <b>Effect of change in foreign currency</b>          | <b>–</b>          | <b>1,139</b>      |
| <b>Net Increase (Decrease) in Cash</b>               | <b>664,199</b>    | <b>( 53,091)</b>  |
| <b>Cash, Beginning of Period</b>                     | <b>47,316</b>     | <b>114,773</b>    |
| <b>Cash, End of Period</b>                           | <b>711,515</b>    | <b>61,682</b>     |

*See accompanying notes to the condensed consolidated interim financial statements*

**Copperbank Resources Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**Three and Six Months ended June 30, 2017 and 2016**  
**(Unaudited - Expressed in Canadian dollars)**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Copperbank Resources Corp. (the “Company” or “Copperbank”) was incorporated on October 21, 2014 under the *Business Corporation Act* (British Columbia). The Company’s head office and principal address is located at Suite 2706 - 1011 West Cordova Street, Vancouver, British Columbia, V6B 0C2. The Company’s shares are traded on the Canadian Securities Exchange (“CSE”) under the symbol “CBK”, and its principal business is the acquisition and development of mineral properties.

**Going concern**

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Accordingly, these condensed consolidated interim financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company is a resource exploration stage company, which does not generate any revenue and has been relying on equity-based financing to fund its operations. At June 30, 2017, the Company has an accumulated deficit of \$31,977,580 and recurring losses since inception. The Company will require additional financing either through equity or debt financing, sale of assets, joint venture arrangements or a combination thereof to meet its administrative costs and to continue to explore and develop its mineral properties. There is no assurance that sufficient future funding will be available on a timely basis or on terms acceptable to the Company. These conditions indicate the existence of material uncertainties that cast significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern is in significant doubt.

The application of the going concern concept is dependent upon the Company’s ability to generate future profitable operations and maintain an adequate level of financial resources to discharge its ongoing obligations. Management seeks to raise capital, when necessary, to meet its funding requirements and has undertaken available cost-cutting measures. There can be no assurance that management’s plan will be successful, as it is dependent on prevailing capital market conditions and the availability of other financing opportunities.

**2. STATEMENT OF COMPLIANCE**

These condensed consolidated interim financial statements together with the comparative figures herein have been prepared in accordance with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

These condensed consolidated interim financial statements do not include all the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these condensed interim financial statements be read in conjunction with the audited annual financial statements of the Company for the most recent year ended December 31, 2016.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The Company has not changed its accounting policies since its recent year ended December 31, 2016. The Company has applied its accounting policies consistently by the Company and its subsidiary for all periods presented.

**Basis of preparation**

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments carried at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Copperbank Resources Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**Three and Six Months ended June 30, 2017 and 2016**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of preparation (continued)**

These consolidated financial statements incorporate the accounts of the Company and its wholly-owned subsidiaries, Enxco International Inc. (“Enxco US”) (Nevada), 1016079 B.C Ltd. (British Columbia), and Copperbank Resources Alaska Inc. (Alaska). A subsidiary is an entity in which the Company has control, where control requires exposure or rights to variable returns and the ability to affect those returns through power over the investees. All intercompany transactions and balances have been eliminated on consolidation.

**Accounting standards issued but not yet adopted**

**Disclosure Initiative (Amendments to IAS 7 *Statement of Cash Flows*)**

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, and are effective for annual periods beginning on or after January 1, 2017 with earlier application is permitted.

Applicable to the Company’s annual period beginning January 1, 2017.

**Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 *Income Taxes*)**

The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value, and are effective for annual periods beginning on or after January 1, 2017 with earlier application permitted.

Applicable to the Company’s annual period beginning January 1, 2017.

**IFRS 9 *Financial Instruments***

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement* and IFRIC 9 *Reassessment of Embedded Derivatives*. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9.

The main features introduced by this new standard compared with predecessor IFRS are as follows:

- *Classification and measurement of financial assets:*  
Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: “amortized cost”, “fair value through other comprehensive income”, or “fair value through profit or loss” (default). Equity instruments are classified and measured as “fair value through profit or loss” unless upon initial recognition elected to be classified as “fair value through other comprehensive income”.
- *Classification and measurement of financial liabilities:*  
When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity’s own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss). This change may be adopted early in isolation of the remainder of IFRS 9.
- *Impairment of financial assets:*  
An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at “amortized cost” or “fair value through other comprehensive income”, lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.



**Copperbank Resources Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**Three and Six Months ended June 30, 2017 and 2016**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accounting standards issued but not yet adopted (continued)**

**IFRS 9 *Financial Instruments* (continued)**

- *Hedge accounting:*  
Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

Applicable to the Company's annual period beginning January 1, 2018.

**Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2 *Share-based Payment*)**

The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Applicable to the Company's annual period beginning January 1, 2018.

**IFRS 16 *Leases***

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

The new standard supersedes the requirements in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Applicable to the Company's annual period beginning January 1, 2019.

**Copperbank Resources Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**4. SHARE CAPITAL**

**a) Authorized**

Unlimited number of common shares without par value.

**b) Issued and outstanding**

During the six months ended June 30, 2017, the Company issued the following common shares

- 500,000 common shares for the settlement of \$50,000 accounts payable with its CEO and 400,000 common shares for the settlement of \$40,000 payable to an external consultant at \$0.10/share.
- 625,000 common shares for the settlement of \$75,000 accounts payable with its CEO and 150,000 common shares issued to the CFO for the settlement of \$18,000 payable at \$0.12/share.
- 22,500,000 common shares at \$0.08/share for cash proceeds of \$1,800,000. Cash commissions of \$5,640 was paid.
- 4,166,667 common shares at \$0.12/share for cash proceeds of \$500,000

The Company will use the proceeds from the shares issuance for its working capital.

**c) Warrants**

There were no warrants exercised, issuance, or expired during the six months ended June 30, 2017. As at June 30, 2017 and December 31, 2016, the Company had the 74,238,004 warrants outstanding with an exercise price of \$0.50 per share and with the expiry date on October 20, 2019.

**d) Options**

The Company has a “rolling” stock option plan (the “Plan”) that allows the Company to grant options to its employees, directors, consultants and officers. Under the terms of the Plan, the exercise price of each option will not be lower than the lowest exercise price permitted by the applicable stock exchange. The Plan allows for a maximum of 10% of outstanding shares to be issued.

Options have a maximum term of five years and terminate up to 90 days following the date on which an optionee ceases to be an employee, director, consultant or officer, and up to 30 days following the date on which an optionee who is engaged to provide investor relations activities ceases to be engaged to provide such services. In the case of death, the option terminates at the earlier of twelve months after the date of death and the expiration of the option period.

During the six months ended June 30, 2017, the Company granted 6,650,000 stock options with an exercise price of \$0.08 and an expiry date February 24, 2022. These options will vest in a 24-month period (Note 9).

The Company recognized stock based compensation of \$192,700 during the six months ended June 30, 2017 (2016 - \$36,050). The Company used the Black-Scholes option pricing model and the following assumptions to determine the fair values of the stock options:

|                          | 2017    | 2016    |
|--------------------------|---------|---------|
| Risk-free interest rate  | 1.09%   | 0.69%   |
| Expected life of options | 5 years | 5 years |
| Annualized volatility    | 218%    | 210%    |
| Dividend rate            | 0.00%   | 0.00%   |

**Copperbank Resources Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**Three and Six Months ended June 30, 2017 and 2016**  
**(Unaudited - Expressed in Canadian dollars)**

**4. SHARE CAPITAL (Continued)**

**Option (continued)**

Options activity for the six months ended June 30, 2017 is as follows:

|                                | Number of Options | Weighted Average Exercise Price |
|--------------------------------|-------------------|---------------------------------|
| Outstanding, December 31, 2016 | 4,350,000         | \$0.09                          |
| Granted                        | 6,650,000         | \$0.08                          |
| Outstanding, June 30, 2017     | 11,000,000        | \$0.09                          |
| Exercisable, June 30, 2017     | 4,225,000         | \$0.10                          |

As at June 30, 2017 and December 31, 2016, the following stock options were outstanding:

| Expiry Date       | Exercise Price | Number of Options |            |
|-------------------|----------------|-------------------|------------|
|                   |                | 2017/6/30         | 2016/12/31 |
| February 5, 2020  | \$ 0.10        | 3,350,000         | 3,350,000  |
| June 8, 2020      | \$ 0.10        | 500,000           | 500,000    |
| April 11, 2021    | \$ 0.05        | 500,000           | 500,000    |
| February 24, 2022 | \$0.08         | 6,650,000         | -          |

The remaining contractual life of the options as at June 30, 2017 was 3.89 years.

**5. RESOURCE PROPERTIES**

**a) Pyramid property, Alaska**

The Company, through an amalgamation with Full Metal, acquired its interest in the Pyramid Project in 2014. Full Metal has an option agreement (“Pyramid Agreement”) with The Aleut Corporation (“TAC”), an Alaska Regional Native Corporation for the acquisition of a 100% interest in subsurface mineral rights covering the Pyramid project.

The commitment related to the Pyramid property is as follows:

- 1) Pay the following cash payments:

| Date (on or before) | Amount (USD)\$ |                                 |
|---------------------|----------------|---------------------------------|
| January 1, 2011     | 35,000         | (paid)                          |
| January 1, 2012     | 40,000         | (paid)                          |
| January 1, 2013     | 45,000         | (paid)                          |
| January 1, 2014     | 50,000         | (paid)                          |
| January 1, 2015     | 55,000         | (paid)                          |
| January 1, 2016     | 60,000         | (paid)                          |
| January 1, 2017     | 60,000         | (shares issued in lieu of cash) |
| <b>Total</b>        | <b>345,000</b> |                                 |

**Copperbank Resources Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**Three and Six Months ended June 30, 2017 and 2016**  
**(Unaudited - Expressed in Canadian dollars)**

**5. RESOURCE PROPERTIES (Continued)**

**a) Pyramid property, Alaska (continued)**

- 2) Incurred \$4,500,000 of exploration expenditures by December 31, 2016.

| Date              | Annual expenditures (USD)\$ |
|-------------------|-----------------------------|
| December 31, 2010 | 300,000 (incurred)          |
| December 31, 2011 | 300,000 (incurred)          |
| December 31, 2012 | 400,000 (incurred)          |
| December 31, 2013 | 500,000 (incurred)          |
| December 31, 2014 | 1,000,000 (incurred)        |
| December 31, 2015 | 1,000,000 (incurred)        |
| December 31, 2016 | 1,000,000 (incurred)        |
| <b>Total</b>      | <b>4,500,000</b>            |

At any time prior to December 31, 2016, the Company could have entered into a mining lease with TAC. Upon entry into the mining lease, the Company will make annual advanced royalty payments escalating from US\$25,000 in the first year to US\$400,000 on the sixteenth anniversary and subsequent years. In the event of the Company delivering a feasibility study, the Company will transfer 100,000 of its own common shares to TAC, subject to approval from the TSX Venture Exchange. Upon commencement of commercial production, the Company will pay a net smelter return (“NSR”) royalty to TAC of 2.5% for all commodities, except for gold and other precious metals. For gold and other precious metals, the Company will pay a sliding scale NSR royalty of 2% to 5% depending on the price of gold.

The Company has not entered into a mining lease with TAC as at June 30, 2017.

Option agreement with Antofagasta Minerals

On August 6, 2010, Full Metal entered into an option agreement with Antofagasta Minerals to explore the Pyramid property claims. Antofagasta Minerals can earn an initial 51% interest by fulfilling the following:

- 1) Pay a total of US\$200,000 by August 20, 2014 (received); and
- 2) Incur a total of US\$6,000,000 in exploration expenditures by August 20, 2014 (incurred).

During the year ended May 31, 2013, Antofagasta Minerals completed all required cash payments and exploration expenditures, and therefore earned a 51% interest in the Pyramid property. All exploration expenditures were incurred by the Company and subsequently reimbursed by Antofagasta Minerals. The schedule of Pyramid mineral property costs does not include these costs.

Antofagasta Minerals can further earn an additional 14% interest for a total aggregate 65% interest by preparing and delivering at its sole cost, a scoping study costing a minimum of US\$4,000,000 in expenditures within two years of earning 51% initial interest. Antofagasta Minerals can then earn an additional 15% interest for a total aggregate 80% interest by funding at its sole cost a feasibility study on the Pyramid property project within two years after obtaining the additional 15% interest. Antofagasta Minerals is also required to reimburse the Company for certain of its obligations relating to the Aleut Agreement – Pyramid, the Shumagin Letter Agreement and the TDX Agreement (collectively, the “Property Agreements”).

The continuity of the Pyramid Properties is as follows:

|  |           |                  |
|--|-----------|------------------|
| Balance, December 31, 2016                   | \$        | 4,634,075        |
| Annual option fees and maintenance of permit |           | 121,859          |
| Prepayment for drilling                      |           | 835,949          |
| Infrastructure study                         |           | 37,644           |
| <b>Balance, June 30, 2017</b>                | <b>\$</b> | <b>5,629,527</b> |

**Copperbank Resources Corp.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**5) RESOURCE PROPERTIES (Continued)**

**a) Pyramid property, Alaska (continued)**

Reacquisition of Antofagasta Minerals' interest

On March 5, 2014 (the "Assignment Date"), Full Metal reacquired the 51% interest in the Pyramid property (the "Assignment Agreement") previously earned by Antofagasta Minerals under the 2010 option agreement discussed above. Total consideration is comprised of the following (Note 9):

- 1) US\$3,000,000 due on or before the fifth anniversary of the Assignment Date ("First Assignment Payment"); and
- 2) US\$2,500,000 due upon completion of a positive, bankable feasibility study ("Second Assignment Payment").

i. Certain provisions in the Assignment Agreement, if triggered, would require the First Assignment Payment to become due and payable within 15 days after the occurrence of an accelerating event. The accelerating event is defined in the Assignment Agreement as not maintaining in good standing, one or all of, the Property Agreements, with the term "good standing" having a meaning as defined in each of the Property Agreements regarding the terms and conditions of default.

ii. Shumagin Agreement – Pyramid Surface Rights:

On August 5, 2011, Full Metal and Shumagin Corporation, an Alaska Native Village Corporation, signed an agreement for a surface rights mining Exploration Agreement and Option to Lease in respect of the Pyramid property. The agreement terms include annual cash payments totaling US\$290,000 through December 31, 2016 (US\$70,000 paid, US\$50,000 of which was paid by Antofagasta Minerals).

As at December 31, 2016, a payable of \$107,416 (US\$ 80,000) has been accrued which was fully paid during the six months ended June 30, 2017.

iii. TDX Agreement – Pyramid Surface Rights:

On July 15, 2010, Full Metal and TDX Pyramid LLC ("TDX Pyramid"), an affiliate of an Alaska Native Village Corporation, signed an Exploration Agreement with Option to Lease covering surface lands at the Pyramid property. Under this agreement, the Company must make an initial option payment of US\$15,000 (paid by Antofagasta Minerals) upon the effective date of the agreement, and annual cash payments totaling US\$171,000 over seven years, of which US\$52,000 has been paid from 2012 through 2014 (paid by Antofagasta Minerals). At any time prior to December 31, 2016, the Company may enter into a Lease Agreement with TDX Pyramid. On or before the effective date of the lease and then on or before each anniversary during the term of the lease until there is commercial production, the Company shall pay to TDX Pyramid an annual rental equal to 10% of the fair market value of the lease area.

The Company terminated the surface right agreement during 2016 with US\$100,000 of which \$40,000 was paid in fiscal 2016 and the remaining was paid in early 2017.

**b) Contact Property, Nevada**

The Company owns a 100% interest in the Contact property located in Elko County, Nevada.

The Company has deposited \$2,595 (2016/12/31 - \$2,685) with the Bureau of Land Management, Nevada, for potential reclamation costs. This property was fully impaired during fiscal 2015. Since the impairment, the Company has been paying all the required permit maintenance to maintain the title in good standing.

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**6. RELATED PARTY TRANSACTION**

During the six months ended June 30, 2017 and 2016, the Company incurred the following transactions with key management members and the directors of the Company:

|                              | Nature               | 2017<br>\$ | 2016<br>\$ |
|------------------------------|----------------------|------------|------------|
| Key management               | Rent                 | 12,000     | 9,000      |
| Key management               | Management fees      | 175,000    | 107,000    |
| Key management and directors | Share-based payments | 110,000    | 32,160     |

Included in the Company's due to related party is an amount owing to key management members of \$Nil (2016/12/31 - \$26,231). Due to related party has the same terms as the Company's trade payable, which is unsecured and non-interest-bearing.

The Company issued 1,275,000 common shares to its CEO and CFO for the settlement of payables totaling \$143,000 (Note 4(b)).

During the six months ended June 30, 2017, the Company borrowed \$400,000 non-interest-bearing advance from the CEO that was settled with the issuance of 5,000,000 common shares on May 11, 2017 (part of the 22,500,000 share issuance (Note 4 (b))).

**7. SEGMENTED INFORMATION**

The Company operates primarily in one business segment, which is the exploration and development of resource properties located in the United States. The Company's non-current assets was \$6,475,371 which comprised mainly of resource properties and a reclamation bond that are in the United States.

**8. FINANCIAL INSTRUMENTS**

Financial instruments that are not measured at their fair values consist of cash, other receivable, note receivable, accounts payable and accrued liabilities, and due to related party. The carrying values of these financial instruments approximate their fair values due to their short-term nature.

**Fair value**

Financial assets and liabilities that are recognized on the statement of financial position at fair value can be classified in a hierarchy that is based on the 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;

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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**9. SUBSEQUENT EVENTS**

The following transaction occurred after June 30, 2017:

- 1) The Company entered into an amendment for the Assignment Agreement with respect to its interest in Antofagasta Minerals. The First and the Second Assignment Payment as disclosed in the Note 5a are replaced by the following:
  - US\$ 150,000 cash and issue 1,000,000 common shares of the Company to the optionor by March 4, 2019
  - US\$ 5,500,000 cash upon the occurrence of a construction decision in respect of the Pyramid Project
  - US\$2,500,000 cash upon the commencement of commercial production in respect of the Pyramid Project.
- 2) The Company has completed a private placement for the issuance of 5,173,366 units at a price of \$0.15/unit for a total of \$776,005. Each unit consists of a common share and a share purchase warrant exercisable at \$0.25 per share for a period of five years. If the common shares of the Company trade at \$0.40 per share or higher for twenty consecutive trading days, the Company may accelerate the conversion of the warrants.
- 3) A total number of 650,000 stock options were granted to a consultant and a newly appointed director with the exercise price of \$0.13/share.