



RIZAL RESOURCES CORPORATION
(formerly Cadan Resources Corporation)

Consolidated Financial Statements
Years Ended December 31, 2016 and 2015
(Expressed in Canadian Dollars)

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF RIZAL RESOURCES CORPORATION (formerly Cadan Resources Corporation)

We have audited the accompanying consolidated financial statements of Rizal Resources Corporation, which comprise the consolidated statements of financial position as at December 31, 2016, December 31, 2015 and January 1, 2015 and the consolidated statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years ended December 31, 2016 and 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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.

Auditors' 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 audit 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 auditors' 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 financial position of Rizal Resources Corporation as at December 31, 2016, December 31, 2015 and January 1, 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver

7th Floor 355 Burrard St
Vancouver, BC V6C 2G8

T: 604 687 1231
F: 604 688 4675

Langley

305 – 9440 202 St
Langley, BC V1M 4A6

T: 604 282 3600
F: 604 357 1376

Nanaimo

201 – 1825 Bowen Rd
Nanaimo, BC V9S 1H1

T: 250 755 2111
F: 250 984 0886

Other Matter

Without modifying our opinion, we draw attention to note 21 to the consolidated financial statements, which explains that the consolidated financial statements as at December 31, 2015 and January 1, 2015 and for the year ended December 31, 2015, have been restated.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 30, 2017

Vancouver

7th Floor 355 Burrard St
Vancouver, BC V6C 2G8

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F: 604 688 4675

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RIZAL RESOURCES CORPORATION (formerly Cadan Resources Corporation)
Consolidated Statements of Financial Position
As at
(Expressed in Canadian dollars)

	Notes	December 31, 2016	December 31, 2015	January 1, 2015
Assets			(Restated Note 21)	(Restated Note 21)
Current				
Cash		\$ 418,163	\$ 185,581	\$ 67,645
Amounts and advances receivable		259,279	836,752	225,670
Prepaid expenses		915,752	559,651	506,226
Current portion of deferred financing fees	14	94,540	-	-
		1,687,734	1,581,984	799,541
Deferred financing fees	14	108,600	-	-
Exploration and evaluation assets	5	-	2,265,891	2,115,365
Property, plant and equipment	8	7,666,369	2,462,983	2,121,370
		\$ 9,462,703	\$ 6,310,858	\$ 5,036,276
Liabilities				
Current				
Accounts payable and accrued liabilities	12	\$ 6,209,390	\$ 6,264,740	\$ 5,903,386
Loans payable	14	3,142,681	705,365	325,360
Convertible notes	9, 12	4,740,666	2,571,607	3,946,363
Due to related parties	10, 12	5,561,501	5,605,196	5,268,371
		19,654,238	15,146,908	15,443,480
Liability for site reclamation	8	1,286,718	1,310,679	1,126,696
Retirement benefit obligation	13	155,664	119,655	209,198
Deferred income tax liability	16	653,297	1,627,338	222,654
		21,749,917	18,204,580	17,002,028
Shareholders' deficiency				
Share capital	11	66,038,987	63,985,212	57,336,073
Share subscriptions received in advance		-	-	514,251
Reserves	11	3,177,481	2,085,310	2,083,283
Deficit		(51,997,355)	(48,477,374)	(44,409,636)
Equity attributable to owners of the Company		17,219,113	17,593,148	15,523,971
Non-controlling interest		(29,506,327)	(29,486,870)	(27,489,723)
		(12,287,214)	(11,893,722)	(11,965,752)
		\$ 9,462,703	\$ 6,310,858	\$ 5,036,276

Approved on behalf of the Board:

"Ryan Sander"

.....
Ryan Sander, Director

"Peter Main"

.....
Peter Main, Director

See notes to the consolidated financial statements.

RIZAL RESOURCES CORPORATION (formerly Cadan Resources Corporation)
Consolidated Statements of Comprehensive Loss
Years Ended December 31,
(Expressed in Canadian dollars)

	Notes	December 31 2016	December 31 2015 (Restated Note 21)
Expenses			
Bank charges and interest	9, 14	\$ 1,852,783	\$ 1,124,448
Consulting fees		1,264,667	828,625
Exploration and evaluation expenses	5	409,509	1,409,405
Legal and professional		270,170	128,167
Travel and accommodation		37,136	106,972
Office and miscellaneous		834,200	284,356
Regulatory and shareholder costs		63,739	86,229
Rent		16,968	35,855
Repairs and maintenance		1,092,980	-
Share-based payments	11, 12	150,000	583,680
Loss before other items		(5,992,152)	(4,587,737)
Other items			
Accretion of site reclamation liability		(16,306)	(33,456)
Gain on sale of property, plant and equipment	8	27,813	-
Incidental revenues, net	8	1,273,335	-
Royalties on metal sales		(23,482)	-
Share of income in equity accounted investment	7	-	323,609
Foreign exchange gain (loss)		216,435	(1,528,972)
Loss on debt settlement		(288,847)	-
Impairment of investment in Agusan	7	-	(179,755)
Impairment of Agusan loan	7	-	(143,854)
Net loss before income taxes		(4,803,204)	(6,150,165)
Deferred income tax expense (recovery)	16	(974,041)	1,159,224
Net loss and comprehensive loss		\$ (3,829,163)	\$ (7,309,389)
Net loss attributed to:			
Owners of the Company		\$ (3,809,706)	\$ (5,312,242)
Non-controlling interest		(19,457)	(1,997,147)
		\$ (3,829,163)	\$ (7,309,389)
Loss Per Share – basic and diluted		\$ (0.023)	\$ (0.119)
Weighted Average Number of Common Shares Outstanding		166,996,724	61,376,868

See notes to the consolidated financial statements.

RIZAL RESOURCES CORPORATION (formerly Cadan Resources Corporation)

Consolidated Statements of Changes in Shareholders' Deficiency

(Expressed in Canadian dollars)

	Number of shares issued	Share capital	Share- based payments reserve	Share subscriptions received	Deficit	Equity attributable to owners of the Company	Non- Controlling Interest	Shareholders' Deficiency
Balance at December 31, 2014 (restated, note 21)	19,811,182	\$57,336,073	\$2,083,283	\$ 514,251	\$ (44,409,636)	\$15,523,971	\$ (27,489,723)	\$ (11,965,752)
Common shares issued for cash (\$0.05 per share)	72,445,020	3,622,251	-	(514,251)	-	3,108,000	-	3,108,000
Shares issued for finder's fees	1,267,000	63,350	-	-	-	63,350	-	63,350
Shares issued for debt (\$0.05 per share)	51,831,760	2,591,588	-	-	-	2,591,588	-	2,591,588
Shares issued for debt (\$0.40 per share)	1,088,250	435,300	-	-	-	435,300	-	435,300
Share issue costs	-	(63,350)	-	-	-	(63,350)	-	(63,350)
Share-based payments	-	-	583,680	-	-	583,680	-	583,680
Discount attributed to the convertible note conversion features	-	-	662,851	-	-	662,851	-	662,851
Reclassification of the expired conversion feature	-	-	(118,607)	-	118,607	-	-	-
Reclassification of the fair value of options and warrants on expiry	-	-	(1,125,897)	-	1,125,897	-	-	-
Net loss for year ended December 31	-	-	-	-	(5,312,242)	(5,312,242)	(1,997,147)	(7,309,389)
Balance at December 31, 2015 (restated, note 21)	146,443,212	\$63,985,212	\$2,085,310	\$ -	\$ (48,477,374)	\$17,593,148	\$ (29,486,870)	\$ (11,893,722)
Common shares issued for cash (\$0.05 per share) (note 11)	18,262,000	913,100	-	-	-	913,100	-	913,100
Common shares issued for service (\$0.05 per share) (note 11)	3,000,000	150,000	-	-	-	150,000	-	150,000
Common shares issued for debt (\$0.05 per share) (note 11)	20,397,500	1,019,875	-	-	-	1,019,875	-	1,019,875
Common shares issued for finder's fees (note 11)	115,000	5,750	-	-	-	5,750	-	5,750
Share issue costs (note 11)	-	(5,750)	-	-	-	(5,750)	-	(5,750)
Warrants issued and to be issued for credit facility (note 11)	-	-	720,405	-	-	720,405	-	720,405
Warrants issued as finder's fees (note 11)	-	-	283,620	-	-	283,620	-	283,620
Warrants issued for debt	-	-	377,871	-	-	377,871	-	377,871
Gain on shares issued for debt	-	(29,200)	-	-	-	(29,200)	-	(29,200)
Reclassification of the fair value of options and warrants on expiry	-	-	(289,725)	-	289,725	-	-	-
Net loss for year ended December 31	-	-	-	-	(3,809,706)	(3,809,706)	(19,457)	(3,829,163)
Balance at December 31, 2016	188,217,712	\$66,038,987	\$3,177,481	\$ -	\$ (51,997,355)	\$17,219,113	\$ (29,506,327)	\$ (12,287,214)

See notes to the consolidated financial statements.

RIZAL RESOURCES CORPORATION (formerly Cadan Resources Corporation)
Consolidated Statements of Cash Flows
Years Ended December 31,
(Expressed in Canadian dollars)

	2016	2015
Cash flows from operating activities		
Net loss for the year	\$ (3,829,163)	\$ (7,309,389)
Items not involving cash		
Amortization	10,110	358,971
Accretion of site reclamation liability	16,306	33,456
Deferred income tax expense	(974,041)	1,159,224
Retirement benefit obligation	36,009	(89,543)
Loss (gain) on disposal of capital assets	(27,813)	45,617
Share of gain in equity accounted investment	-	(323,609)
Unrealized (gain) loss on foreign exchange	204,487	1,157,930
Loss on forgiveness of debt	288,847	-
Impairment of Agusan loan	-	143,854
Impairment of investment in Agusan	-	179,755
Share-based payments	150,000	583,680
Amortization of deferred financing	80,480	-
Accretion and interest on debt	987,078	1,124,508
	<u>(3,057,700)</u>	<u>(2,935,546)</u>
Changes in non-cash working capital		
Amounts and advances receivable	577,473	(611,082)
Prepaid expenses	(356,101)	(53,424)
Accounts payable and accrued liabilities	486,849	978,654
	<u>(2,349,479)</u>	<u>(2,621,398)</u>
Cash flows from investing activities		
Proceeds on sale of property, plant and equipment	168,723	-
Purchase of property and equipment	(3,128,782)	(746,201)
	<u>(2,960,059)</u>	<u>(746,201)</u>
Cash flows from financing activities		
Proceeds from issuance of common shares	913,100	3,108,000
Proceeds from loans payable	2,977,559	377,535
Proceeds from convertible notes	1,651,461	-
	<u>5,542,120</u>	<u>3,485,535</u>
Inflow of Cash	232,582	117,936
Cash, Beginning of the year	185,581	67,645
Cash, End of the year	\$ 418,163	\$ 185,581
Supplemental cash flow information (Note 18)		

See notes to the consolidated financial statements.

RIZAL RESOURCES CORPORATION (formerly Cadan Resources Corporation)
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
Years Ended December 31, 2016 and 2015

1. GOING CONCERN AND NATURE OF OPERATIONS

Rizal Resources Corporation (formerly Cadan Resources Corporation) (the “Company” or “Rizal”) was incorporated on November 14, 1977 and continued under the laws of British Columbia on August 28, 2007. The Company is a development stage company, and its principal business activity is natural resource exploration, focusing on resources located in the Philippines. The head office, principal and registered address, and records office of the Company is Suite 600 – 666 Burrard Street, Vancouver, British Columbia, Canada V6C 3P6.

These consolidated financial statements are prepared on a going concern basis, which contemplates that the Company will realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not give effect to 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. Such adjustments could be material.

The Company had cash of \$418,163 at December 31, 2016, (December 31, 2015 - \$185,581; January 1, 2015 - \$67,645), but management cannot provide assurance that the Company will ultimately achieve profitable operations or become cash flow positive, or raise additional debt and/or equity capital. For the year ended December 31, 2016, the Company had a net loss of \$3,829,163 (December 31, 2015 - \$7,309,389). At December 31, 2016, the Company had an accumulated deficit of \$51,997,355 (December 31, 2015 - \$48,477,374; January 1, 2015 - \$44,409,636). The Company has not yet demonstrated an ability to produce a sustained source of revenue to satisfy its requirements to conduct its planned exploration, progress the development of the T’Boli mine and processing plant, meet repayment obligations of its debts and meet its administrative overhead and maintain its resource interests. The Company has relied principally upon the issuance of securities and debt to finance operations. If the Company is unable to raise additional capital in the future, management expects that the Company will need to curtail operations, liquidate assets, seek additional capital on less favourable terms and/or pursue other remedial measures. Management is aware, in making its assessment, of these noted material uncertainties related to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern.

Mining and exploration involves a high degree of risk and there can be no assurance that current mining and exploration programs will result in profitable mining operations.

The recoverability of the Company’s investment in, and expenditures on, exploration and evaluation assets, and property, plant and equipment is dependent on several factors, including the 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 or proceeds from disposition of resource interests.

2. BASIS OF PRESENTATION

(a) Statement of Compliance

The Company’s consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. The consolidated financial statements have also been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out in note 3 have been applied consistently to all periods presented, and have been applied consistently by the Company and its subsidiaries.

RIZAL RESOURCES CORPORATION (formerly Cadan Resources Corporation)
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
Years Ended December 31, 2016 and 2015

- (b) Approval of the consolidated financial statements

The consolidated financial statements of the Company for the year ended December 31, 2016 were reviewed by the Audit Committee, and approved and authorized for issue by the Board of Directors on April 30, 2017.

- (c) New accounting pronouncements and interpretations not yet adopted

At the date of authorization of these consolidated financial statements, the IASB has issued a number of new and revised standards and interpretations, which are not yet effective for the relevant reporting periods.

The Company has not early-adopted these standards, amendments and interpretations. The Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company. The new accounting standards and interpretations that will be adopted in future years are as follows:

IFRS 9 *Financial Instruments*

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a “fair value through other comprehensive income” category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity’s own credit risk.
- Impairment. The 2014 version of IFRS 9 introduces an “expected credit loss” model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Applicable to annual periods beginning on or after January 1, 2018.

IFRS 15 *Revenue from Contracts with Customers*

This new standard establishes a comprehensive framework for the recognition, measurement and disclosure of revenue replacing IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue — Barter Transactions Involving Advertising Services.

RIZAL RESOURCES CORPORATION (formerly Cadan Resources Corporation)
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(Expressed in Canadian dollars, unless otherwise stated)
Years Ended December 31, 2016 and 2015

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

- Revenue is recognized based on a five-step model:
 1. Identify the contract with customer;
 2. Identify the performance obligations;
 3. Determine the transaction price;
 4. Allocate the transaction price to the performance obligations; and
 5. Recognize revenue when (or as) the performance obligations are satisfied.
- New disclosure requirements on information about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

Applicable to annual periods beginning on or after January 1, 2018.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*.

Applicable to annual periods beginning on or after January 1, 2019.

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.

The amendment to IAS 7 is applicable to annual periods beginning on or after 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.

The amendments to IAS 12 are applicable to annual periods beginning on or after January 1, 2017.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements.

(a) Principles of consolidation

These consolidated financial statements include the accounts of the Company (the ultimate parent company), its wholly owned subsidiaries, Esperanza Capital Corp. and its 20% interest in Exploradora La Esperanza S.A. (a Colombian company); Sabena Limited and its subsidiaries (Australian companies); Tribal Holdings Inc., Batoto Holdings Inc. and Philco Holdings Inc. (Canadian companies); and Tribal Processing Corporation ("Tribal Processing")

RIZAL RESOURCES CORPORATION (formerly Cadan Resources Corporation)
Notes to the Consolidated Financial Statements
(Expressed in Canadian dollars, unless otherwise stated)
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(Philippine company); and the accounts of its partially owned (40%) Philippine affiliates, Batoto Resources Corporation ("Batoto") and TMC Tribal Mining Corporation ("TMC"), referred to throughout the consolidated financial statements as the "Philippine companies". The Company owns 40% of each of the Philippine companies, which have been consolidated, as they meet the criteria under IFRS 10 *Consolidated Financial Statements*. The Company's ownership percentage in the Philippine companies is a result of Philippine laws restricting foreign ownership, but the Company is acting as operator of the Philippine companies. The remaining 60% ownership of each of the Philippine companies is owned by the two respective presidents of those companies. Each president has signed an option agreement allowing the Company to acquire control in certain circumstances. All significant intercompany balances and transactions have been eliminated on consolidation.

The Company has a 20% interest in Agusan Metals Corporation ("Agusan") (notes 6 and 7) and is able to exert significant influence over Agusan. As a result, Agusan is considered to be an associate as at December 31, 2016 and 2015 and for the years then ended.

Non-controlling interest in the net assets of consolidated partially owned Philippine companies are identified separately from the Company's equity. Non-controlling interest consists of the non-controlling interest at the date of the original business combination plus the non-controlling interest's share of changes in equity since the date of acquisition.

(b) Use of judgments and estimates

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. In particular, significant judgments made by management in the application of IFRS during the preparation of the consolidated financial statements and estimates with a risk of material adjustment are:

(i) Realization of assets

The Company's property, plant and equipment (note 8) comprises a significant portion of the Company's assets. Realization of the Company's investments is dependent upon the Company satisfying governmental requirements, satisfaction of possible aboriginal claims, raising sufficient funds to develop the respective projects, the attainment of successful production from the properties, or from the proceeds upon disposal of the Company's interests therein. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines.

(ii) Liability for site reclamation

Environmental legislation is becoming increasingly stringent and the costs of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development of mineral resource properties, the potential for production on the properties may be diminished or negated.

The Company is subject to laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously

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had an interest. The Company conducts its mineral activities in compliance with applicable environmental protection legislation.

Management must make judgments about the existence and valuation of environmental liabilities. The assessment of provision for environmental liabilities requires management to assess the stage of exploration and development activities in each mineral property, compliance with local environmental regulations and agreements in place. Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations, when determined to exist are initially recognized and recorded as a liability based on estimated future cash flows discounted at a credit-adjusted risk-free rate.

Site reclamation costs will be incurred by the Company many years into the future. Amounts recorded for site reclamation require the use of management's best estimates of future decommissioning expenditures, expected timing of expenditures and future inflation rates. The estimates are based on internal and third party information and calculations are subject to changes in laws and regulations, public expectations, prices, discovery and analysis of site conditions, and changes in clean up technology. Actual costs and outflows can differ from estimates and may have a material impact on earnings or financial position.

As at December 31, 2016, the Company has a liability for site reclamation of \$1,286,718 (December 31, 2015 - \$1,310,679; January 1, 2015 - \$1,126,696).

(iii) Valuation of receivable

The loan to Agusan has no stated terms of repayment or interest rate attached to it. Management must make judgments about the valuation and recoverability of this receivable. Uncertainty around the collection schedule for the Agusan loan resulted in the carrying value of the loan to Agusan being impaired, in accordance with Level 3 of the fair value hierarchy, to \$nil in prior years. Events and circumstances arising during the period, or that are foreseeable at year-end, are reflected in the valuation of this receivable in the consolidated statements of financial position and reflect management's best estimate of the fair value of this financial instrument. As at December 31, 2016, management maintained the carrying value of this loan at its impaired value of \$nil. Management's basis for valuation is described in note 7.

(iv) Impairment assessment

Annually, the Company assesses whether indicators of impairment exist with respect to its exploration and evaluation assets, and property, plant and equipment. If indicators of impairment are identified, the Company then assesses whether its assets' carrying values are greater than their recoverable values. The Company has considered its incidental revenues from recovery of minerals, forecast budgets for development, exploration and financing, mineral commodity prices and the expected timelines to full production at the Company's T'Boli property (note 5) in assessing whether there were indicators of impairment for its property, plant and equipment, and exploration and evaluation costs. Impairment indicators were assessed on exploration and evaluation costs incurred to the point in time when they became mine development assets, at which point they are reclassified to property, plant and equipment. Management is aware that variances to the data utilized in the assessment for indicators of impairment could result in a material variance to the amounts presented in the consolidated financial statements.

(v) Convertible notes and loans payable

Management must make judgments about the valuation of convertible notes and loans payable, principally through the determination of appropriate discount rates for similar

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(Expressed in Canadian dollars, unless otherwise stated)
Years Ended December 31, 2016 and 2015

debt without conversion features and/or attached warrants. The Company reviewed discount rates in use by companies of similar size, industry and life cycle stage, to determine appropriate discount rates. Management also considered the Company's history of borrowings, the general economic outlook for junior exploration and development entities, and its overall access to credit facilities. If the assumptions used in arriving at the discount rates used by management are determined to be incorrect, then a material variance to the amounts presented in the consolidated financial statements could result.

(vi) Contingencies

By their nature, contingencies, including the retirement benefit obligation, will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events, including the use of actuarial assumptions. If actual future events differ from the assumptions used by management, it could result in a material variance to the amounts recorded in the consolidated financial statements.

(vii) Deferred income taxes

Deferred tax assets and liabilities are recognized for the estimated tax consequences between amounts included in the consolidated financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, and accordingly, affect the amount of the deferred tax asset or liability calculated at a point in time. These differences could materially impact earnings.

(viii) Going concern

The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but is not limited to 12 months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. While management believes the estimates noted above are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(c) Property, plant and equipment

Property, plant and equipment are recorded at cost, less accumulated amortization and accumulated impairment losses. Land is not amortized. Amortization is recorded using the straight-line method at the following annual rates:

Buildings	- 4%
Vehicles and exploration equipment	- 20 to 25%
Office furniture and equipment	- 25 to 33%

(i) Subsequent costs

The cost of replacing part of an item within property, plant and equipment is recognized when the cost is incurred if it is probable that the future economic benefits will flow to the group and the cost of the item can be measured reliably. The carrying

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amount of the part that has been replaced is expensed. All other costs are recognized as an expense as incurred.

(ii) Construction in progress

Construction in progress reflects the cost of mine development assets under construction. Amortization is not taken on construction in progress until such time as the mine development assets are placed into service.

(iii) Impairment

The Company's tangible assets are reviewed for indications of impairment at each consolidated statement of financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss for the year.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(iv) Reversal of impairment

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

(d) Foreign currency translation

The Company's functional and presentation currency is the Canadian dollar. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each consolidated statement of financial position date, monetary assets and liabilities are translated using the period-end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

(e) Investments in associates

Investments in which the Company exerts significant influence are accounted for using the equity method whereby the original cost of the investment is adjusted for the Company's share of earnings, losses and dividends during the current period. The Company's share of earnings and losses of such investments are included in profit or loss.

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(f) Convertible notes

When the Company issues convertible debt with or without additional warrants attached, the proceeds are allocated first to the debt component, based on its discounted cash flows using a discount rate appropriate for similar debts without conversion features or attached warrants. The residual value is allocated to all equity components, and is included in share-based payments reserve. The debt component is accreted over its contractual life using the effective interest method, which includes other costs, such as finder's fees. The accretion expense is included in profit or loss as interest expense. On settlement of the debt, the equity components are transferred to deficit or share capital, depending on whether the notes are converted or not.

(g) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods using the graded vesting method. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. Non-vesting conditions are considered in making the assumption about the number of awards that are expected to vest. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the recorded value in share-based payments reserve is transferred to share capital. Upon expiry, forfeiture or cancellation, the recorded value is transferred to deficit.

(h) Equity units

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

(i) Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments on earnings per share. Under this method, the dilutive effect on per share amounts is calculated presuming the exercise or conversion of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise or conversion would be used to repurchase common shares at the average market price during the year. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(j) Income taxes

The Company uses the balance sheet method of accounting for income taxes. Under this method of tax allocation, deferred tax assets and liabilities are determined based on differences between the consolidated financial statement carrying values and their respective income tax basis (temporary differences). Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is included in profit or loss in the period in which the change is enacted or substantively enacted. Deferred tax assets are recognized to the extent that it is probable that the benefits associated with them will be recognized in the future.

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(k) Financial instruments

(i) Financial assets

Financial assets are classified into one of four categories: Fair value through profit or loss ("FVTPL"), held-to-maturity ("HTM"), available-for-sale ("AFS"), and loans and receivables. The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

FVTPL financial assets

Financial assets are classified as held for trading and are included in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Financial assets classified as FVTPL are stated at fair value with any resultant change in fair value recognized in profit or loss. The net income or loss recognized incorporates any dividend or interest earned on the financial asset. Transaction costs associated with financial assets at FVTPL are expensed as incurred.

HTM financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. HTM financial assets are initially measured on a trade-date basis at fair value, including transaction costs, and are subsequently adjusted using the effective interest rate method. Gains and losses are recognized in profit or loss when the financial asset classified in this category are derecognized or impaired.

AFS financial assets

Short-term investments and other assets not otherwise designated are classified as AFS and stated at fair value on the date of acquisition and each subsequent balance sheet date. Any change in fair value is recognized as other comprehensive income (loss); unless or until cumulative losses are determined to constitute an other-than-temporary-impairment, at which time the cumulative losses are recycled and recognized in profit or loss.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market, are classified as loans and receivables.

Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at period-end. Bad debts are written off during the period in which they are identified. Interest income is recognized by applying the effective interest rate method.

The effective interest method calculates the amortized cost of a financial asset and allocates interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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(ii) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when the obligation specified in the relevant contract is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

(i) Exploration and evaluation assets

Once a permit or license to explore an area has been secured, acquisition costs are capitalized on a property-by-property basis. Exploration expenditures related to the initial search for deposits with economic potential and to detailed assessments of deposits or other projects that have been identified as having economic potential are expensed as incurred.

Management reviews the carrying value of capitalized costs at least annually. In the case of undeveloped projects, there may be only inferred resources to form a basis for the impairment review. The review is based on a status report regarding the Company's intentions for development of the undeveloped property.

Once an economically viable reserve has been determined for an area and the decision to proceed with development has been approved, exploration and evaluation assets attributable to that area are first tested for impairment and then reclassified to construction in progress, which is a component of property, plant and equipment.

The Company considers a project to be in commercial production following a reasonable period of testing of the production processes, and when the mine and processing plant are in the location and condition necessary to operate at their anticipated full capacity.

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Subsequent recovery of the carrying value of exploration and evaluation assets depends on successful development or sale of the undeveloped project. If a project does not prove viable, all capitalized costs associated with the project, net of any impairment provisions, are written off.

(m) Provision for site reclamation liability

The Company records a liability based on the best estimate of costs for site reclamation activities that the Company is legally or constructively required to remediate and the liability is recognized at the time environmental disturbance occurs. The resulting costs are capitalized to the corresponding asset. The provision for reclamation liabilities is estimated using expected cash flows, discounted at a pre-tax rate specific to the liability.

The capitalized amount is amortized on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future reclamation cash flows.

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost.

Costs of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred.

(n) Employee benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries and wages, contributions to Social Security System, Philippine Health Insurance Corporation, Home Development Mutual Fund, and thirteenth month pay and other benefits.

The Company has an unfunded, non-contributory defined benefit retirement plan. This benefit defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The cost of providing benefits is determined using the projected unit credit method, which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Post-employment expenses include current service cost, past service cost and net interest on defined benefit asset/liability. Remeasurements that include cumulative actuarial gains and losses and changes in the effects of asset ceiling are recognized and presented under equity.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity.

Past-service costs are recognized immediately in profit or loss.

The liability recognized in the consolidated statements of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using discount rates based on market interest rates for financial instruments that are

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denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

4. FINANCIAL INSTRUMENTS

Categories of financial instruments

	December 31, 2016	December 31, 2015	January 1, 2015
Financial assets			
FVTPL, at fair value			
Cash	\$ 418,163	\$ 185,581	\$ 67,645
Loans and receivables			
Amounts and advances receivable	213,314	836,752	225,670
Available-for-sale, at fair value			
Loan to Agusan	-	-	-
Total financial assets	\$ 631,477	\$ 1,022,333	\$ 293,315
Financial liabilities			
Other liabilities, at amortized cost			
Accounts payable and accrued liabilities	\$ 6,209,390	\$ 6,264,740	\$ 5,903,386
Loans payable	3,142,681	705,365	325,360
Convertible notes	4,740,666	2,571,607	3,946,363
Due to related parties	5,561,501	5,605,196	5,268,371
Total financial liabilities	\$ 19,654,238	\$ 15,146,908	\$ 15,443,480

Fair value

The carrying values of amounts and advances receivable (excluding GST receivable), accounts payable and accrued liabilities, and due to related parties approximate their fair values due to the short terms to maturity of these financial instruments. The loans payable have been valued using the effective interest rate method.

The carrying values of convertible notes were determined, in accordance with Level 2 of the fair value hierarchy, by discounting the face value of the notes over the terms of each note by a discount rate of 60%, and accreting the discount over the respective term to the anticipated conversion date of the notes.

During the year ended December 31, 2016, the uncertainty around the collection schedule for the Agusan loan continued as Metallum continues to report the project as being on care and maintenance status. As a result, the carrying value of the loan to Agusan continues to be impaired, in accordance with Level 3 of the fair value hierarchy, and has a carrying value of \$nil.

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The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the inputs used to determine the fair value are observable.

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable either directly or indirectly.
- Level 3 fair value measurements are those derived from valuation techniques that include inputs that are not based on observable market data.

	December 31, 2016	December 31, 2015	January 1, 2015
Level 1			
Cash	\$ 418,163	\$ 185,581	\$ 67,645
Level 2			
Convertible notes	\$ 4,740,666	\$ 2,571,607	\$ -
Level 3			
Loan to Agusan	\$ -	\$ -	\$ -

(a) Credit risk

The Company is exposed to credit risk with respect to its cash. Cash has been placed on deposit with major Canadian and Philippine financial institutions. The risk arises from the non-performance of counterparties of contractual financial obligations.

The Company manages credit risk, in respect of cash, by maintaining deposits at major financial institutions with strong investment-grade ratings.

Concentration of credit risk exists with respect to the Company's cash, as the majority of the amounts are held with only a few Canadian and Philippine financial institutions. The Company's concentration of credit risk and maximum exposure thereto, is as follows:

	December 31, 2016	December 31, 2015	January 1, 2015
Canadian dollar equivalent			
Australian dollar	\$ 164,768	\$ -	-
Canadian dollar	7,319	133,178	21,359
Philippine peso	246,076	52,403	46,286
Total cash	\$ 418,163	\$ 185,581	\$ 67,645

The Company is also exposed to credit risk with respect to its amounts and advances receivable and loan to Agusan (note 7). The Company maintains an equity investment in Agusan and receives periodic financial information from Metallum and Agusan with respect to that investment. The Company actively monitors the financial status of Agusan and Metallum to minimize the credit risk related to this loan. Other amounts receivable relate to input tax credits and advances to suppliers.

(b) Market risk

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

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(i) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's cash is held in bank accounts. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on their estimated fair values as of December 31, 2016 and 2015, and January 1, 2015. Future cash flows from interest income on cash are not expected to be material. The Company manages interest rate risk by investing in highly liquid investments with maturities of one year or less.

The Company's convertible notes, loans payable and due to related parties are at fixed rates of interest.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars.

The Company is exposed to foreign currency risk with respect to cash, accounts payable and accrued liabilities, and amounts due to related parties, as a portion of these amounts are denominated in Philippine pesos, Australian dollars ("AU") and US dollars as follows:

	December 31, 2016	December 31, 2015	January 1, 2015
Canadian dollar equivalent			
Philippine Pesos			
Cash	\$ 246,076	\$ 52,403	\$ 46,286
Accounts payable and accrued liabilities	(3,641,516)	(3,522,077)	(3,305,231)
AU\$			
Cash	164,768	-	-
Accounts payable and accrued liabilities	(1,289,585)	(1,224,919)	(1,233,883)
Due to related parties (note 12)	(102,580)	-	-
Convertible notes (note 9)	(1,651,461)	-	-
US\$			
Accounts payable and accrued liabilities	(479,373)	(299,137)	(153,072)
Loans payable (note 14)	(2,642,817)	(315,378)	-
Due to related parties (notes 10 and 12)	(5,458,921)	(5,605,196)	(5,268,371)
Net exposure			
Canadian dollar equivalent	\$ (14,855,409)	\$ (10,914,304)	\$ (9,914,271)

The Company manages foreign currency risk by only holding funds in foreign currencies for short-term requirements. The Company has not entered into any foreign currency contracts and does not utilize derivatives to mitigate this risk.

A 1% fluctuation in the value of the Philippine peso, Australian dollar and US dollar at December 31, 2016 would result in a change to net loss and comprehensive loss of approximately \$149,000 (December 31, 2015 - \$109,000).

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(ii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities. Accounts payable are all due within thirty days and amounts due to related parties, excluding convertible notes (notes 9 and 12) due to related parties and amounts due under the credit facilities (notes 10, 12 and 14), are without specific terms of repayment; however, they are expected to be repaid within one year.

The Company will require significant cash funding to conduct its exploration programs, meet its administrative overhead costs, meet its repayment obligations, maintain its resource interests and bring its T'Boli gold processing operation to full production capacity. This will require the Company to obtain additional financing.

5. EXPLORATION AND EVALUATION ASSETS

(a) Permits and licenses

Through its subsidiaries and the Philippine companies, the Company has interests in certain permits and licenses to explore and develop exploration and evaluation assets located in the Philippines, as described below.

During January 2016, the Company determined that the T'Boli project had entered the development phase. As such, acquisition costs were transferred to construction in process and the exploration and evaluation assets balance for the project is now \$nil (December 31, 2015 - \$2,265,891; January 1, 2015 - \$2,115,365).

(i) Panag, Suriganon, Tagpura and Camanlangan, Municipalities of New Bataan and Nabunturan, Compostela Valley Province, Philippines

The Company completed the sale of 80% of the Company's interests in Agusan on January 17, 2012, and has retained a carried interest of 20% in Agusan (notes 6 and 7).

(ii) Batoto, Barangay Camanlangan, Municipality of New Bataan, Compostela Valley Province, Philippines

There are no royalties payable to the government of the Philippines, as the properties are located in an indigenous area. The indigenous peoples will, upon commercial production, be given a royalty equivalent to 1% of the operating cost of any operation. There are no annual work commitments.

Under IFRS 6 *Exploration for and Evaluation of Mineral Resources*, an indicator of impairment was identified for the Batoto property, due to a lack of currently available funding or plans for future exploration activities. Management was unable to determine a value in use or fair value less costs of disposal for the Batoto property, in accordance with IFRS accounting requirements for measurement of recoverable amount. Therefore, the Batoto property was impaired to \$nil during the year ended December 31, 2014 and continues to be impaired at December 31, 2016, such impairment was determined in accordance with Level 3 of the fair value hierarchy.

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- (b) Title to exploration and evaluation asset interests

Although the Company has taken steps to verify the title to exploration and evaluation asset interests for which it has a permit and/or license, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

- (c) Exploration and evaluation expenses

Exploration and evaluation expenses include all material and supplies, wages, professional fees and contract labor costs associated with the development of the mine and are summarized for years ended December 31, 2016 and 2015 below:

			December 31,	December 31,
			2016	2015
	Batoto	TMC	Total	Total
Cumulative exploration and evaluation expenses				
Incurred during year				
Exploration	\$ 41,516	\$ 367,993	\$ 409,509	\$ 1,229,481
Mill Site	-	-	-	282,094
Exploration and evaluation expenses	41,516	367,993	409,509	1,511,575
Recoveries from metal sales	-	-	-	(102,170)
Net exploration and evaluation expenses	\$ 41,516	\$ 367,993	\$ 409,509	\$ 1,409,405

6. SALE OF AGUSAN METALS CORPORATION

On January 17, 2012, the Company completed the sale of 80% of the Company's interest in Agusan retaining a 20% investment in Agusan (note 7). Pursuant to a shareholders' agreement, Metallum has an obligation to fund AU \$48,000,000 in exploration activity in Agusan as follows:

Exploration Expenditures	Annual amount (AU \$)	Cumulative amount (AU \$)
Year 1	5,000,000	nil
Year 2	5,000,000	nil
Year 3	5,000,000	15,000,000
Year 4	15,000,000	30,000,000
Year 5	18,000,000	48,000,000

The annual amounts in the table above were the expected schedule of expenditures; the cumulative amount is the funding requirement schedule. Upon Metallum funding the project to AU \$48,000,000, both the Company and Metallum will fund further development pro rata, based on their ownership interests. Metallum did not meet the funding requirements, and the agreement contains dilution provisions. Metallum reported AU \$7.4 million in exploration expenditures to December 31, 2016 (December 31, 2015 - AU \$7.4 million; January 1, 2015 – AU \$7.4 million), which is a shortfall of AU \$22.6 million of the minimum exploration amount of AU \$30 million required by the end of the fourth year (January 17, 2016). The Company is evaluating its options on the Agusan project.

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7. INVESTMENT IN AND LOAN TO AGUSAN METALS CORPORATION

Pursuant to the January 17, 2012 sale of an 80% interest in Agusan (note 6), the Company retained a 20% investment in Agusan. The investment is accounted for as an investment in associate using the equity method. The 20% retained investment was revalued on the date of sale at \$1,231,360. The carrying amounts as at December 31, 2016 and 2015, and January 1, 2015 were \$nil, calculated as follows:

	December 31, December 31,		
	2016	2015	January 1, 2015
Investment amount	\$ 1,231,360	\$ 1,231,360	\$ 1,231,360
Pro rata share of increase in Agusan paid-up capital	112,635	112,635	112,635
Share of net loss	(1,164,240)	(1,164,240)	(1,343,995)
Impairment of investment in Agusan	(179,755)	(179,755)	-
Carrying amount	\$ -	\$ -	\$ -
Loan to Agusan	\$ -	\$ -	\$ -

For the year ended December 31, 2016, the Company recorded its equity share of Agusan's net income resulting from favourable foreign exchange rates of \$nil (December 31, 2015 - \$323,609). Any increases in value from the equity share of Agusan's net income are immediately impaired to reflect the ongoing uncertainty with respect to Agusan's mineral properties.

The allocations of the Company's share of equity income of Agusan for the years ended December 31, 2016 and 2015 are as follows:

	December 31, December 31,	
	2016	2015
Investment in Agusan	\$ -	\$ 179,755
Loan receivable from Agusan	-	143,854
	\$ -	\$ 323,609

The Company's loan to Agusan is unsecured, non-interest-bearing and has no specified terms of repayment. Pursuant to a shareholders' agreement, the Company's loan to Agusan will rank equally with amounts advanced by Metallum for exploration expenditures on the Agusan copper-gold project. The advances will be repaid first from distribution of profits on a proportional basis until each advance is repaid.

During the year ended December 31, 2014, uncertainty around the collection schedule for the Agusan loan was created as a result of Metallum putting that project on care and maintenance, which continued through to 2016. As the Agusan loss resulted from un-favourable foreign exchange rates and as the carrying value of the loan to Agusan continues to be impaired in accordance with Level 3 of the fair value hierarchy and is valued at \$nil, the Company's share of any loss resulting from net income in Agusan (as a result of foreign exchange gains) is not recognized. The carrying value of the loan to Agusan and changes thereto for the years ended December 31, 2016 and 2015, was as follows:

	December 31, December 31,	
	2016	2015
Opening balance of loan to Agusan	\$ -	\$ -
Impairment	-	(143,854)
Share of net gain	-	143,854
	\$ -	\$ -

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8. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Vehicles and exploration equipment	Construction in progress	Office furniture and equipment	Total
Cost						
Balance, December 31, 2014	\$182,548	\$408,336	\$2,497,012	\$ 17,403	\$ 52,098	\$3,157,397
Disposals	-	-	(216,699)	-	-	(216,699)
Additions	-	105,350	462,166	176,444	2,241	746,201
Balance, December 31, 2015	182,548	513,686	2,742,479	193,847	54,339	3,686,899
Disposals	-	-	(178,204)	-	-	(178,204)
Transfer from exploration and evaluation assets	-	-	-	2,265,891	-	2,265,891
Change in value of site reclamation	-	-	-	(40,267)	-	(40,267)
Additions	88,635	-	397,480	3,028,617	3,463	3,518,195
Balance, December 31, 2016	\$271,183	\$513,686	\$2,961,755	\$5,448,088	\$ 57,802	\$9,252,514
Accumulated amortization and impairment losses						
Balance, December 31, 2014	\$ -	\$101,106	\$ 885,370	\$ -	\$ 49,551	\$1,036,027
Amortization on disposals	-	-	(171,082)	-	-	(171,082)
Amortization	-	19,543	334,640	-	4,788	358,971
Balance, December 31, 2015	-	120,649	1,048,928	-	54,339	1,223,916
Amortization on disposals	-	-	(37,295)	-	-	(37,295)
Amortization	-	26,679	369,500	-	3,345	399,524
Balance, December 31, 2016	\$ -	\$147,328	\$1,381,133	\$ -	\$ 57,684	\$1,586,145
Net book value						
Balance January 1, 2015	182,548	307,230	1,611,642	17,403	2,547	2,121,370
Balance, December 31, 2015	182,548	393,037	1,693,551	193,847	-	2,462,983
Balance, December 31, 2016	\$271,183	\$366,358	\$1,580,622	\$5,448,088	\$ 118	\$7,666,369

For the year ended December 31, 2016, amortization of \$10,110 (December 31, 2015 - \$358,971) is included as a component of TMC exploration and evaluation expenses, and amortization of \$389,414 was capitalized to construction in progress (December 31, 2015 - \$nil; January 1, 2015 - \$nil).

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During the year ended December 31, 2016, vehicles and exploration equipment were sold for proceeds of US \$130,000 (CDN \$168,723) (December 31, 2015 - \$nil) resulting in a gain of \$27,813 (December 31, 2015 - loss of \$45,617).

T'Boli, Barangay Kematu, Municipality of T'Boli, South Cotabato Province, Philippines

The Company has received the Mines and Geosciences Bureau's Declaration of Mining Project Feasibility enabling the Company to process ore at the T'Boli gold-silver mine within the Mineral Processing and Sharing Agreement. However, to date the Company has used this ability only to process incidental ore stockpiles available from exploration activities. During January 2016, the Company determined that the T'Boli project had entered the development phase.

Incidental revenues for the year ended December 31, 2016, were recorded in the consolidated statement of comprehensive loss amounted to \$1,273,335 (December 31, 2015 - \$nil). There is a 2% mineral royalty payable to the government of the Philippines in respect of mineral production.

As at December 31, 2016, a liability for site reclamation for this property amounted to \$1,286,718 (December 31, 2015 - \$1,310,679; January 1, 2015 - \$1,126,696). The liability is estimated based on detailed mine rehabilitation plan costs of PhP 42,400,000, inflated at 1.50% (December 31, 2015 - 1.10%; January 31, 2015 - 2.00%) over the term of the plan from 2010 to 2022 and discounted to present value using a 5-year risk free rate of 1.11% (December 31, 2015 - 10-year risk free rate of 1.20%; January 31, 2015 - 10 year risk free rate of 2.70%).

In connection with the Company's credit facility agreement with Mighty River International Ltd. ("Mighty River"), Rizal, Mighty River and Rizal's Philippine affiliate, TMC, entered into royalty agreements pursuant to which Mighty River is entitled to receive a 1% production royalty on the T'Boli mine located in the Philippines for each US \$1 million advanced to the Company (note 10).

In connection with the Claymore Capital Pty. Ltd. ("Claymore") debt facility agreement, Claymore is entitled to receive a 1.5% production royalty once the Company has received US \$500,000. As at December 31, 2016, the Company had received US \$2,300,000 (note 14).

9. CONVERTIBLE NOTES

- (a) The Company refinanced the \$4,187,100 convertible notes and accrued interest during the year ended December 31, 2015 as follows:
- (i) \$1,505,588 of principal and accrued interest was converted into 30,111,760 units of the Company. Each unit consists of one common share and one common share purchase warrant. Each warrant is exercisable into one common share of the Company for a period of one year from closing at an exercise price of \$0.10; and
 - (ii) \$2,681,512 of principal and accrued interest was issued as new convertible notes. The notes continued to accrue interest at 12% per annum, compounded monthly. The maturity dates of the new notes are \$867,360 on December 1, 2015 and \$1,814,152 on July 1, 2016. In addition, the Company issued the note holders 6,745,884 common share and one share purchase warrant. Each warrant is exercisable into one common share of the Company for a period of one year from closing at an exercise price of \$0.12 and 18,141,520 common shares and common share purchase warrants. Each warrant is exercisable into one common share of the Company for a period of one year from closing at an exercise price of \$0.10.
- (b) The Company is in discussions on repayment terms with the holders of the notes that matured December 1, 2015, and on March 24, 2016, the Company paid \$41,972 being the accrued interest owing on these notes at December 1, 2015. On August 3, 2016, the Company paid \$63,997 being the accrued interest owing on these notes at December 31, 2016 (note 18).
- (c) The Company is in discussions on repayment terms with the holders of the notes that matured July 1, 2016.

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- (d) During the year ended December 31, 2016, the Company received proceeds of AU \$1,670,000 (Cdn \$1,651,461) related to convertible notes. The associated convertible notes were not issued until subsequent to December 31, 2016 (note 20).
- (e) The carrying values of the convertible notes as at December 31, 2016 and 2015, and January 1, 2015 were:

	December 31, 2016	December 31, 2015	January 1, 2015
Face value to be issued	\$ 1,651,461	\$ -	\$ -
Face value on issue	2,681,512	2,681,512	3,407,407
Accrued interest	407,693	162,216	538,956
Unamortized discount conversion	-	(272,121)	-
	\$ 4,740,666	\$ 2,571,607	\$ 3,946,363

10. CREDIT FACILITY

On May 2, 2013, the Company entered into an agreement with Mighty River, who at the time the agreement was entered into was a related party, being a company that had a director in common with Rizal and who owned over 10% of the issued and outstanding shares of Rizal. Mighty River agreed to provide the Company with up to a US \$5 million loan facility. Amounts drawn bear interest at a rate of 8% per annum and were repayable in 12 months from the draw date. In connection with the loan agreement, Rizal provided Mighty River with security over all its assets, and Rizal, Mighty River and Rizal's Philippine affiliate, TMC, entered into royalty agreements pursuant to which Mighty River is entitled to receive a 1% production royalty on the T'Boli mine located in the Philippines for each US \$1 million advanced to Rizal (note 8).

On May 27, 2014, the Company and Mighty River amended the agreement extending the final maturity date and repayment date to December 31, 2015.

On November 27, 2015, the Company reached an agreement with Mighty River to extend the maturity date of the note to June 30, 2016, and refinance \$904,000 (US \$800,000), being a portion of the amounts owed on the credit facility for interest and royalties, and issued 18,080,000 units at \$0.05 per unit. Each unit consists of one common share and one warrant to purchase one common share for 12 months at \$0.10.

On September 7, 2016, the Company reached an agreement with Mighty River to refinance \$400,000 (US \$307,500), being a portion of the amounts owed on the credit facility for interest and issued 8,000,000 units at \$0.05 per unit. Each unit consists of one common share and one warrant to purchase one common share for one year at \$0.10. The warrants are subject to an acceleration provision. In the event the closing price of the Company's common shares on the TSX Venture Exchange ("TSXV") equals or exceeds \$0.25 for a period of 15 consecutive trading days, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and the warrants will thereafter expire on the date that is thirty days after the after the date of the notice to the holders (note 11). The Company is in discussions on repayment terms with Mighty River Credit Facility that matured as at December 31, 2016.

At December 31, 2016, the Company had total principal, interest and royalties owing to Mighty River of \$5,458,921 (US \$4,142,706) (December 31, 2015 - \$5,605,196 (US \$4,142,706); January 1, 2015 - \$5,268,371 (US\$4,541,307)), which is included in amount due to related parties.

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11. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value

(b) Issued

At December 31, 2016, 188,217,712 (December 31, 2015 - 146,443,212; January 1, 2015 - 19,811,182) common shares were issued and outstanding.

On October 13, 2016, the Company issued 7,655,283 three year \$0.06 warrants after receiving the remaining US \$350,000 of the stage 3 funding under the terms of the debt facility described in note 14. The warrants issued have a fair value of \$86,432.

On September 7, 2016, the Company issued 1,500,000 units at a price of \$0.05 per unit and received gross proceeds of \$75,000. Each unit consists of one common share and one common share purchase warrant at a price of \$0.10 for a period of one year subject to an acceleration provision. In the event the closing price of the Company's common shares on the TSXV equals or exceeds \$0.25 for a period of 15 consecutive trading days, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and the warrants will thereafter expire on the date that is thirty days after the date of the notice to the holders.

On September 7, 2016, the Company reached agreement with a related party to convert \$400,000 in debt and issued 8,000,000 units at a deemed value of \$0.05 per unit. Each unit consists of one common share and one common share purchase warrant at a price of \$0.10 for a period of one year subject to an acceleration provision. In the event the closing price of the Company's common shares on the TSXV equals or exceeds \$0.25 for a period of 15 consecutive trading days, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and the warrants will thereafter expire on the date that is thirty days after the date of the notice to the holders (note 10). The warrants issued have a fair value of \$152,202.

On August 15, 2016, the Company issued 16,762,000 units at a price of \$0.05 per unit and received gross proceeds of \$838,100 and issued 115,000 units at a price of \$0.05 per unit for finder's fees of \$5,750. Each unit consists of one common share and one common share purchase warrant at a price of \$0.10 per for a period of one year subject to an acceleration provision. In the event the closing price of the Company's common shares on the TSXV equals or exceeds \$0.25 for a period of 15 consecutive trading days, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and the warrants will thereafter expire on the date that is thirty days after the date of the notice to the holders.

On July 29, 2016, the Company issued 15,067,846 three-year \$0.065 warrants after receiving stage 2 funding of US \$600,000 under the terms of the debt facility described in note 14. The warrants issued have a fair value of \$230,415.

On May 27, 2016, the Company reached agreement with trade creditors to convert \$224,625 in debt and issued 4,492,500 units at a deemed value of \$0.05 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable into one common share of the Company for a period of one year from closing at an exercise price of \$0.10 (note 14). The warrants issued have a fair value of \$163,081.

On May 18, 2016, the Company issued 11,750,000 three year \$0.065 warrants after receiving stage 2 funding of US \$600,000 under the terms of the debt facility described in note 14. The warrants issued have a fair value of \$188,666.

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On April 11, 2016, the Company reached agreement with trade creditors to convert \$215,450 in outstanding debts and issued 4,309,000 units at a deemed value of \$0.05 per unit. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable into one common share of the Company for a period of one year from closing at an exercise price of \$0.10. The warrants issued have a fair value of \$62,588.

On April 11, 2016, the Company reached agreement with insiders to convert \$179,800 in outstanding debts and issued 3,596,000 shares at a deemed value of \$0.05 per share.

On March 15, 2016, the Company issued 12,461,538 three-year \$0.065 warrants after receiving stage 1 funding of US \$600,000 under the terms of the debt facility described in note 14. The warrants were issued have a fair value of \$214,892.

On March 15, 2016, the Company issued 5,800,000 five-year \$0.10 warrants under the terms of the debt facility described in note 14. The warrants were valued using the Black-Scholes pricing model at \$283,620.

On March 11, 2016, the Company issued 3,000,000 shares with a deemed value of \$0.05 per share to its CEO in accordance with his employment contract.

On December 14, 2015, the Company issued 1,088,250 shares at a price of \$0.40 per share to settled debts of \$435,300 with creditors.

On November 30, 2015, the Company reached agreement with creditors to convert \$1,299,778 in debt and issued 25,995,560 units. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable into one common share of the Company for a period of one year from closing at an exercise price of \$0.10.

On November 30, 2015, the Company reached agreement with creditors to convert \$52,000 in debt and issued 1,040,000 shares.

On October 23, 2015, the Company closed the final tranche of a non-brokered private placement and issued 43,920,000 units at a price of \$0.05 per unit to a single investor for gross proceeds of \$2,196,000. On closing, the investor owned 30.9% of the Company. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable into one common share of the Company for a period of one year from closing at an exercise price of \$0.10.

On October 7, 2015, the Company closed the second tranche of a non-brokered private placement and issued 13,200,000 units at a price of \$0.05 per unit for gross proceeds of \$660,000. In addition, the Company issued 1,267,000 units valued at \$63,350 for finder's fees. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable into one common share of the Company for a period of one year from closing at an exercise price of \$0.10.

On July 24, 2015, the Company reached an agreement with convertible noteholders who converted \$1,139,810, being a portion of the balance owed including accrued interest, into 22,796,200 units. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable into one common share of the Company for a period of one year from closing at an exercise price of \$0.10.

On July 24, 2015, the Company reached agreement with creditors to convert \$100,000 in debt for 2,000,000 units. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable into one common share of the Company for a period of one year from closing at an exercise price of \$0.10.

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On July 17, 2015, the Company closed the first tranche of a non-brokered private placement and issued 15,325,020 units at a price of \$0.05 per unit for gross proceeds of \$766,251. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable into one common share of the Company for a period of one year from closing at an exercise price of \$0.10.

(c) Stock options

The Company has a stock option plan whereby the Board of Directors is authorized to grant options to a rolling ceiling of 10% of the issued and outstanding common shares of the Company.

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of the grant. The terms of the option and the option price are fixed by the directors at the time of grant subject to restrictions imposed by the TSXV. Stock options awarded have a maximum term of ten years. The vesting terms of the options are determined by the directors; however, options granted to investor relations consultants are subject to a minimum twelve-month vesting schedule whereby no more than 25% vest in any three-month period. Stock options held by officers, directors, employees or consultants of the Company expire one year following their departure from the Company.

During the year ended December 31, 2016, the Company did not grant any options. During the year ended December 31, 2015, the Company granted 12,000,000 five-year options to purchase common shares of the Company at \$0.05 per share. During year ended December 31, 2016, 223,000 options with exercise prices between \$1.20 and \$4.00 expired unexercised (December 31, 2015 - 616,000 options with exercise prices between \$1.20 to \$7.60). As at December 31, 2016 and 2015, the following incentive stock options were outstanding and exercisable:

Expiry Date	Exercise Price	December 31, December 31,	
		2016	2015
July 12, 2016	\$ 4.00	-	1,750
September 21, 2016	\$ 3.60	-	68,750
December 6, 2016	\$ 1.60	-	102,500
July 24, 2017	\$ 4.00	18,738	18,738
October 16, 2017	\$ 1.20	125,000	175,000
November 6, 2017	\$ 4.00	20,000	20,000
December 23, 2020	\$ 0.05	12,000,000	12,000,000
		12,163,738	12,386,738

The options outstanding and exercisable at December 31, 2016 and 2015 have weighted average remaining contractual lives of 3.94 and 4.87 years, respectively.

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Stock option activity is as follows:

	December 31, 2016		December 31, 2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding and exercisable, beginning of year	12,386,738	\$0.11	1,002,738	\$2.06
Granted	-	-	12,000,000	\$0.05
Expired	(223,000)	\$2.15	(616,000)	\$2.08
Outstanding and exercisable, end of year	12,163,738	\$0.07	12,386,738	\$0.11

The fair value of options that expired in the year ended December 31, 2016 was \$289,725 (2015 - \$898,651).

Share-based payments

The fair value of the 12,000,000 options granted during the year ended December 31, 2015 was \$583,680. No options were granted during the year ended December 31, 2016.

(d) **Warrants**

During the year ended December 31, 2016, the Company issued 87,913,167 warrants (December 31, 2015 - 149,391,184) that expire between April 11, 2017 and March 15, 2021 with exercise prices between \$0.065 and \$0.10 (2015 - exercise prices between \$0.10 and \$0.12), and 149,391,184 warrants with exercise prices between \$0.10 and \$0.12 expired (December 31, 2015 - 8,285,559).

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As at December 31, 2016 and 2015, the following share purchase warrants were outstanding:

Expiry Date	Exercise Price	December 31, 2016	December 31, 2015
July 17, 2016	\$ 0.100	-	15,325,020
July 24, 2016	\$ 0.100	-	24,796,200
October 13, 2016	\$ 0.100	-	14,467,000
December 1, 2016	\$ 0.120	-	6,745,884
July 1, 2017	\$ 0.100	-	18,141,520
October 24, 2016	\$ 0.100	-	43,920,000
November 30, 2016	\$ 0.100	-	25,995,560
April 11, 2017	\$ 0.100	4,309,000	-
May 27, 2017	\$ 0.100	4,492,500	-
August 15, 2017	\$ 0.100	16,877,000	-
September 7, 2017	\$ 0.100	8,000,000	-
September 7, 2017	\$ 0.100	1,500,000	-
March 15, 2019	\$ 0.065	12,461,538	-
May 18, 2019	\$ 0.065	11,750,000	-
July 29, 2019	\$ 0.065	15,067,846	-
October 13, 2019	\$ 0.060	7,655,283	-
March 15, 2021	\$ 0.100	5,800,000	-
		87,913,167	149,391,184

Share purchase warrant transactions and the number of share purchase warrants outstanding are summarized as follows:

	December 31, 2016		December 31, 2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	149,391,184	\$0.10	8,285,559	\$2.71
Issued	87,913,167	\$0.08	149,391,184	\$0.10
Expired	(149,391,184)	\$0.10	(8,285,559)	\$0.32
Outstanding, end of year	87,913,167	\$0.08	149,391,184	\$0.10

The fair value of warrants that expired during the year ended December 31, 2016 was \$nil (December 31, 2015 - \$227,246).

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12. RELATED PARTY TRANSACTIONS AND BALANCES

At December 31, 2016, the Company owed \$6,359,514 (December 31, 2015 - \$6,400,092; January 1, 2015 - \$6,650,435) to related parties, of which amounts owed to officers and directors are included in accounts payable, and are as follows:

	December 31, 2016	December 31, 2015	January 1, 2015
Officers and directors for:			
Consulting and directors' fees	\$ 678,952	\$ 681,352	\$ 370,752
Reimburse expenses	7,450	14,372	14,075
Convertible notes (note 9)	111,611	99,172	997,237
Due to related parties (note 10)	5,561,501	5,605,196	5,268,371
	\$ 6,359,514	\$ 6,400,092	\$ 6,650,435

During the year ended December 31, 2016, the Company owed a loan balance in the amount of AU\$100,117 (CDN \$102,580) to the CEO of the Company. The loan is unsecured, non-interest-bearing and has no fixed terms of repayment.

During the years ended December 31, 2016 and 2015, the Company incurred key management compensation during the year, including the issuance of 3,000,000 shares to its CEO in accordance with his contract. The shares were valued at \$150,000, the trading price at the time of issue. The following table describes the key management compensation during years ended December 31, 2016 and 2015:

	December 31, 2016	December 31, 2015
Short-term benefits paid or accrued to personal service corporations	\$ 417,000	\$ 484,000
Short-term benefits paid directly	24,000	24,000
Share-based payments	150,000	346,560
	\$ 591,000	\$ 854,560

Included in short-term benefits is \$441,000 (December 31, 2015 - \$508,000) expensed to consulting fees.

At December 31, 2016, the Company was committed to pay termination payments to officers of the Company, in the event of termination without cause, of between two and three years of annual salary. If all termination payments are triggered, the Company would be required to pay \$1,092,000 (December 31, 2015 - \$1,020,000; January 1, 2015 - \$1,020,000).

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13. RETIREMENT BENEFIT OBLIGATION

The Company has a legislated obligation to provide a retirement payment to employees in the Philippines equal to 22.5 days pay for every year of credited service at attainment of a retirement age of 60. The Company completes an actuarial valuation of the present value of the obligation annually. The last actuarial valuation of the present value of the obligation was carried out at February 13, 2017, based on obligations at December 31, 2016. The present value of the obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. The current and past service costs at December 31, 2016 were \$155,664 (December 31, 2015 - \$119,655 included in exploration and evaluation expenditures), and are included as part of construction in progress. The principal assumptions used for the purposes of the actuarial valuation were as follows:

	December 31, 2016	December 31, 2015
Discount rate	5.38	4.89
Expected rate of salary increase	5%	5%
Normal retirement age	60	60
Projected retirement benefit	22.5 days per year of service	22.5 days per year of service
Actuarial cost method	projected Unit Credit Method	projected Unit Credit Method
Manner of benefit payment	Lump sum	Lump sum

14. LOANS PAYABLE

- (a) On December 3, 2012, the Company entered into a loan agreement for US \$280,000. The loan bears interest of 8% per annum, and was payable at maturity, which was three months after the loan was granted. As at December 31, 2016, the loan remains in default and continues to accrue interest. The interest and principal of the loan totaled \$499,864 as at December 31, 2016 (December 31, 2015 - \$389,987; January 1, 2015 - \$325,360).
- (b) On November 4, 2015, the Company entered into a demand loan agreement for US \$100,000. The loan bears interest of 15% per annum, matured on May 4, 2016 and was unsecured. The interest and principal owing on the loan on May 4, 2016, was \$145,202 (December 31, 2015 - \$140,994; January 1, 2015 - \$nil). On May 27, 2016, the Company reached a shares-for-debt settlement with the creditor to settle the debt by issuing 2,750,000 units in full settlement of the principal and interest owing on the loan (note 11).
- (c) On January 11, 2016, the Company entered into an agreement with Claymore for a three-year US \$6.4 million debt facility. Details of the debt facility include:
- a) Term of 3 years
 - b) Annual interest rate of 12%
 - c) Four staged payments based on agreed targets which include
 - Stage 1 – US \$600,000 within 6 weeks of signing the Binding Term Sheet. Completed February 24, 2016.
 - Stage 2 – US \$600,000 – confirmation of sustainable production at 200 tonnes per day (“tpd”). Completed March 18, 2016.
 - Stage 3 – US \$1.1 million – subject to confirmation of planned increase in production to 400 tpd.
 - Stage 4 – US \$4.25 million – subject to confirmation of maintainable production at 400 tpd.
 - d) The Company has and will issue three-year detachable warrants on receipt of payments at each stage described above. The warrant prices for tranche 1 are the greater of \$0.065 and the prevailing market price of Rizal’s shares. The warrant prices for tranches 2 through 4 are the market price as at the date on which the advance was made (note 11). On March 15, 2016, the Company also issued 5,800,000 five-year \$0.10 warrants under the terms of the debt facility as finder’s fees, which is recorded as deferred financing costs

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and amortized over the term of the loan. The amount amortized for the year ended December 31, 2016, is \$80,480 (December 31, 2015 - \$nil). The unamortized balance as at December 31, 2016, is \$203,140 (December 31, 2015 - \$nil; January 1, 2015 - \$nil), of which \$94,540 (December 31, 2015 - \$nil; January 1, 2015 - \$nil) is classified as a current asset.

- e) Security – the debt facility shares first ranking security with Rizal's existing secured debt holders.
- f) Production royalty – Rizal will pay a 1.5% royalty once a minimum of US \$500,000 has been received. The royalty remains in place until the loans have been fully repaid.

The advances were recognized initially at fair value, which was calculated based on the application of a market interest rate of 22.5%. The difference between the face value and the initial fair value of the loan has been recorded in share-based payment reserves. As at December 31, 2016, the Company had received US \$2,300,000, which is recorded on the consolidated statement of financial position at its fair value. Total principal and interest owing as at December 31, 2016 is US \$1,968,286 (\$2,642,817) (December 31, 2015 - US \$126,000 (\$174,384); January 1, 2015 – US \$nil (\$nil)).

15. CAPITAL MANAGEMENT

In October 2012, the Company's Philippines affiliate, TMC, received the MGB Declaration of Mining Project Feasibility enabling the Company to commence commercial mining production at the T'Boli gold-silver mine and the Carbon-in-leach ("CIL") plant. The Company is processing "incidental ore", which it stockpiled during exploration and development of the mine at T'Boli. The Company continues to expand the T'Boli mine by building a decline to the ore bodies identified by its exploration.

The Company is continuing exploration and development of its properties (notes 5 and 8), but is not generating sufficient cash flow from operations to cover its operating costs or fund development and exploration, and continues to rely on debt and issuance of shares to generate capital. The Company considers capital to consist of shareholders' deficiency, due to related parties, loans payable and convertible notes.

The Company's objectives of capital management are intended to safeguard its ability to meet normal operating requirements on an ongoing basis and continue the development and exploration of its resource properties. To effectively manage the Company's capital requirements, the Company has in place a planning process to determine the funds required to ensure appropriate liquidity to meet its operating and growth objectives. The Company monitors actual expenses on all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company's policy for managing capital has not changed from prior years. As at December 31, 2016, the Company's available capital resources, consisting of cash, totaled \$418,163 (December 31, 2015 - \$185,581; January 1, 2015 - \$67,645).

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16. INCOME TAX

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26% (December 31, 2015 -26%) to loss before taxes. The reasons for the differences are as follows:

	2016	2015
Loss before income tax	\$(4,803,204)	\$(6,150,165)
Statutory income tax rate	26.00%	26.00%
Income tax recovery computed at statutory rates	(1,248,833)	(1,599,043)
Tax effect of expenses that are not deductible (taxable) for income tax purposes	557	173,123
Change in timing differences	503,833	6,230
Change in benefit of tax losses not recognized	1,718,484	260,466
Income tax expense	\$ 974,041	\$ (1,159,224)

Income tax rates in the Philippines remained at 30% (December 31, 2015 - 30%).

The tax effected items that give rise to significant portions of the deferred income tax assets and deferred income tax liabilities at December 31, 2016 and 2015 are presented below:

	2016	2015
Deferred income tax assets		
Non-capital losses carried forward	\$ 800,339	\$ 874,664
Deferred income tax liabilities		
Foreign exchange on intercompany loans	(1,453,636)	(2,502,002)
Total	\$ (653,297)	\$ (1,627,338)

The Company recognizes tax benefits on losses or other deductible amounts generated in countries where the probable criteria for the recognition of deferred tax assets have been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2016	2015
Deferred income tax assets:		
Non-capital losses carried forward	\$ 33,160,045	\$ 30,654,560
Share issue costs	48,029	106,235
Resource properties	1,029,469	1,029,469
Long-term investments	671,996	671,996
Provisions and other	42,173	42,173
Total	\$ 34,951,712	\$ 32,504,433

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The Company has accumulated non-capital losses for tax purposes of \$33,973,818 that expire in various years as follows:

	Philippines	Canada	Total
2017	\$ 714,538	\$ -	\$ 714,538
2018	675,511	-	675,511
2019	18,299	-	18,299
2020	26,267	-	26,267
2021	47,852	-	47,852
2027	-	545,447	545,447
2028	-	628,784	628,784
2029	-	820,431	820,431
2030	-	2,008,087	2,008,087
2031	-	2,666,965	2,666,965
2032	-	5,459,912	5,459,912
2033	-	10,184,205	10,184,205
2034	-	3,230,370	3,230,370
2035	-	3,117,064	3,117,064
2036	-	3,830,086	3,830,086
	\$ 1,482,467	\$ 32,491,351	\$ 33,973,818

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17. SEGMENTED INFORMATION

The Company has one operating segment: resource property exploration. The Company's corporate assets are located in Canada. The Company's resource property investments are made through corporations located in the Philippines.

	December 31, 2016		
	Canada	Philippines	Consolidated
Current assets	\$ 328,678	\$ 1,359,056	\$ 1,687,734
Deferred financing fees	108,600	-	108,600
Property, plant and equipment	-	7,666,369	7,666,369
Total Assets	\$ 437,278	\$ 9,025,425	\$ 9,462,703
Total Liabilities	\$ 15,980,722	\$ 5,769,195	\$ 21,749,917

	December 31, 2015		
	Canada	Philippines	Consolidated
Current assets	\$ 178,589	\$ 1,403,395	\$ 1,581,984
Exploration and evaluation assets	-	2,265,891	2,265,891
Property, plant and equipment	-	2,462,983	2,462,983
Total Assets	\$ 178,589	\$ 6,132,269	\$ 6,310,858
Total Liabilities	\$ 11,585,841	\$ 6,618,739	\$ 18,204,580

	January 1, 2015		
	Canada	Philippines	Consolidated
Current assets	\$ 53,533	\$ 746,008	\$ 799,541
Exploration and evaluation assets	-	2,115,365	2,115,365
Property, plant and equipment	-	2,121,370	2,121,370
Total Assets	\$ 53,533	\$ 4,982,743	\$ 5,036,276
Total Liabilities	\$ 12,138,249	\$ 4,863,779	\$ 17,002,028

18. SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended December 31, 2016, the Company settled \$1,019,875 of debt by issuance of shares and units (December 31, 2015 - \$3,026,888) (note 11).

During the year ended December 31, 2016, the Company paid interest and fees of \$526,485 (December 31, 2015 - \$nil)

Interest on debt totaling \$337,924 was settled by the issuance of shares.

19. CONTINGENT LIABILITY

On May 27, 2016, claims were initiated against the Company by certain parties for payment of services rendered in prior years. The Company has included AU \$546,000 (\$530,002) in accounts payable and accrued liabilities as at December 31, 2016 and 2015, and January 1, 2015, related to the amounts specified in the claims.

20. EVENTS AFTER THE REPORTING DATE

- (a) The Company offered for sale up to 300 convertible notes that mature on December 31, 2017 with a face value of AU \$10,000 per note ("Convertible Notes") for a total of AU \$3,000,000. Each Convertible Note entitles the holders of the notes to convert into CHES Depository Interests ("CDI") of the Company at a conversion price of \$0.05 and one option per CDI issued ("CDI Option"), or into common shares of the Company listed on the TSXV at a conversion price of \$0.05 and one warrant per common share issued, if the Company has not obtained a

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listing on the Australian Securities Exchange. The CDI Option entitles the holder to purchase one CDI at \$0.06 for a period of three years. The warrants entitle the holder to purchase one common share per warrant at \$0.06 for a period of three years.

The Convertible Notes bear interest at 12% per annum, are convertible at the holders' election, and will share first ranking security with Rizal's existing secured debt holders.

The first tranche closed on April 13, 2017 with the issuance of 184 Convertible Notes totalling AU \$1,840,000.

- (b) On April 6, 2017, a claim was initiated against the Company by CSA Global Pty Ltd. for payment of services rendered to the Company of AU \$81,456 (\$79,069). The Company believes that the claim is without merit, as it pertains to undelivered or unauthorized deliverables.

21. RESTATEMENT

During the year ended December 31, 2016, the Company identified a liability for site reclamation that was not recorded in prior years. The Company became aware of an Environmental Protection and Enhancement Program and Final Mine Rehabilitation and/or Decommission Plan, which was issued to previous management in January 2010. The Company believes that the liability should have been recorded from the time this report was prepared.

The following tables outline the effect of the changes made to the consolidated financial statements as originally filed.

Impact on the consolidated statement of financial position as at January 1, 2015:

	Previously reported	Change	Restated
Exploration and evaluation assets	\$ 1,094,881	\$ 1,020,484	\$ 2,115,365
Liability for site reclamation	\$ -	\$ 1,126,696	\$ 1,126,696
Deficit	\$ 44,367,150	\$ 42,486	\$ 44,409,636
Non-controlling interest	\$ 27,425,997	\$ 63,726	\$ 27,489,723

Impact on the consolidated statement of financial position as at December 31, 2015:

	Previously reported	Change	Restated
Exploration and evaluation assets	\$ 1,094,881	\$ 1,171,010	\$ 2,265,891
Liability for site reclamation	\$ -	\$ 1,310,679	\$ 1,310,679
Deficit	\$ 48,421,506	\$ 55,868	\$ 48,477,374
Non-controlling interest	\$ 29,403,070	\$ 83,800	\$ 29,486,870

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Impact of the consolidated statement of comprehensive loss for the year ended December 31, 2015:

	Previously reported	Change	Restated
Accretion of site reclamation liability	\$ -	\$ (33,456)	\$ (33,456)
Net loss for the year	\$ (7,275,933)	\$ (33,456)	\$ (7,309,389)
Net loss attributed to owners of the Company	\$ (5,298,860)	\$ (13,382)	\$ (5,312,242)
Net loss attributed to non-controlling interest	\$ (1,977,073)	\$ (20,074)	\$ (1,997,147)

All adjustments affected only non-cash items; therefore, there was no impact to cash flow for activities, investing activities and financing activities.