



**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED  
JANUARY 31, 2017**

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

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, "Continuous Disclosure Obligations", Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

The Company's independent auditors have not performed a review of these unaudited interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

**CARMAX MINING CORP.**  
**CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION**  
*(Unaudited)*  
**(Expressed in Canadian Dollars)**

	As at January 31, 2017	As at October 31, 2016
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash	\$ 24,933	\$ 130,730
GST receivable	4,685	29,982
<b>Total Current Assets</b>	<b>29,618</b>	160,712
Investment (Note 5)	6,000	6,000
Reclamation Deposits (Note 6)	180,000	180,000
Exploration and Evaluation Assets (Note 7)	10,575,036	10,523,582
<b>Total Assets</b>	<b>\$ 10,790,654</b>	<b>\$ 10,870,294</b>
<b><u>LIABILITIES AND EQUITY</u></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 97,506	\$ 142,700
Decommissioning Provision (Note 8)	36,054	36,031
Promissory Note (Note 12)	101,000	101,000
<b>Total Liabilities</b>	<b>234,560</b>	279,731
<b>Equity</b>		
Share capital (Note 9)	15,992,459	15,992,459
Share-based payment reserve	247,970	247,970
Accumulated other comprehensive loss	(18,500)	(18,500)
Deficit	(5,665,835)	(5,631,366)
<b>Total Equity</b>	<b>10,556,094</b>	10,590,563
<b>Total Liabilities and Equity</b>	<b>\$ 10,790,654</b>	<b>\$ 10,870,294</b>

These condensed interim financial statements were approved and authorized for issue by the Board of Directors on March 29, 2017 by:

"Jevin Werbes"  
 \_\_\_\_\_  
 Chief Executive Officer

"Chris Healey"  
 \_\_\_\_\_  
 Director

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

**CARMAX MINING CORP.**  
**CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
*(Unaudited)*  
(Expressed in Canadian Dollars)

	Three Months Ended January 31, 2017	Three Months Ended January 31, 2016
<b><u>Operating Expenses</u></b>		
Accretion	\$ 23	\$ 141
Consulting	19,250	44,950
Director fees	3,500	4,500
Insurance	-	4,575
Office	2,749	4,839
Professional fees	1,767	4,270
Promotion and entertainment	1,685	2,864
Rent	3,750	3,750
Shareholder communications	1,315	1,514
Transfer agent and regulatory fees	-	9,085
Travel	1,246	2,359
<b>Loss Before Non-Operating Items</b>	<b>(35,285)</b>	<b>(82,847)</b>
<b><u>Non-Operating Income</u></b>		
Interest income	816	558
<b>Net and Comprehensive Loss</b>	<b>(34,469)</b>	<b>(82,289)</b>
<b>Basic and Fully Diluted Loss per Share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>101,742,525</b>	<b>73,304,170</b>

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

**CARMAX MINING CORP.**  
**CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD OF OCTOBER 31, 2015 TO JANUARY 31, 2017**  
*(Unaudited)*  
(Expressed in Canadian Dollars)

	Shares	Amount	Share- Based Payment Reserve	Accumulated Other Comprehensive Loss	Deficit	Total Equity
Balance, October 31, 2015	71,742,525	\$ 14,500,597	\$ 279,077	\$ (22,000)	\$ (5,342,355)	\$ 9,415,319
Shares issued for cash	30,000,000	1,500,000	-	-	-	1,500,000
Share issuance costs	-	(8,138)	-	-	-	(8,138)
Expiration of share-based compensation	-	-	(31,107)	-	31,107	-
Revaluation of investment to market value	-	-	-	3,500	-	3,500
Net loss for the year	-	-	-	-	(320,118)	(320,118)
<b>Balance, October 31, 2016</b>	<b>101,742,525</b>	<b>\$ 15,992,459</b>	<b>\$ 247,970</b>	<b>\$ (18,500)</b>	<b>\$ (5,631,366)</b>	<b>\$ 10,590,563</b>
Net loss for the period	-	-	-	-	(34,469)	(34,469)
<b>Balance, January 31, 2017</b>	<b>101,742,525</b>	<b>\$ 15,992,459</b>	<b>\$ 247,970</b>	<b>\$ (18,500)</b>	<b>\$ (5,665,835)</b>	<b>\$ 10,556,094</b>

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

**CARMAX MINING CORP.**  
**CONDENSED INTERIM STATEMENTS OF CASH FLOWS**  
*(Unaudited)*  
(Expressed in Canadian Dollars)

	Three Months Ended January 31, 2017	Three Months Ended January 31, 2016
<b>Cash Provided by/(Used in) Operating Activities</b>		
Net loss for the period	\$ (34,469)	\$ (82,289)
<i>Items not affecting cash:</i>		
Accretion	23	141
	<b>(34,446)</b>	<b>(82,148)</b>
<i>Changes in non-cash working capital items:</i>		
Accounts payable and accrued liabilities	<b>(10,774)</b>	5,410
GST receivable	<b>25,297</b>	14,381
Prepaid expenses	-	4,575
<b>Cash Used in Operating Activities</b>	<b>(19,923)</b>	<b>(57,782)</b>
<b>Cash Provided by/(Used in) Investing Activities</b>		
Exploration and evaluation assets	<b>(85,874)</b>	(316,276)
<b>Cash (Provided by)/Used in Investing Activities</b>	<b>(85,874)</b>	<b>(316,276)</b>
<b>Cash Provided by/(Used in) Financing Activities</b>		
Proceeds from share issuances	-	1,500,000
Share issue costs	-	(8,138)
<b>Cash Provided by Financing Activities</b>	-	1,491,862
Increase/(decrease) in cash for the period	<b>(105,797)</b>	1,117,804
Cash, beginning of year	<b>130,730</b>	512,829
<b>Cash, End of Period</b>	<b>\$ 24,933</b>	<b>\$ 1,630,633</b>

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

## **CARMAX MINING CORP.**

Notes to the Condensed Interim Financial Statements for the Three Months Ended January 31, 2017  
(Unaudited) (Expressed in Canadian Dollars)

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### **1. NATURE OF OPERATIONS**

Carmax Mining Corp. (“**Carmax**” or the “**Company**”) was incorporated under the Canada Business Corporations Act on June 16, 2000 and is listed on the TSX Venture Exchange (“**TSX:V**”).

The Company maintains its head office at 142-1146 Pacific Blvd., Vancouver, British Columbia, Canada, V6Z 2X7.

The Company’s principal business activity is the acquisition and exploration of resource properties. The Company presently has no proven or probable reserves and on the basis of information to date, it has not yet determined whether these properties contain economically recoverable ore reserves. Consequently, the Company considers itself to be an exploration stage company.

### **2. BASIS OF PRESENTATION**

#### *a) Statement of Compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) and interpretations of the International Financial Reporting Interpretations Committee (“**IFRIC**”).

They do not include all information required for full annual financial statements and should be read in conjunction with the Company’s audited annual financial statements for the year ended October 31, 2016.

These financial statements were authorized for issue by the Board of Directors on March 29, 2017.

#### *b) Basis of Measurement*

These financial statements have been prepared on a historical cost basis except for financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional currency of the Company is the Canadian dollar, being the currency of the economic environment of the Company’s operations. The functional currency is also the presentation currency.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the

## **CARMAX MINING CORP.**

Notes to the Condensed Interim Financial Statements for the Three Months Ended January 31, 2017  
(Unaudited) (Expressed in Canadian Dollars)

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revision affects both current and future periods. See Note 4 for Critical Accounting Estimates and Judgments made by management in the application of IFRS.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited annual financial statements as at October 31, 2016. The significant accounting policies used in the preparation of these financial statements set out below have been applied consistently in all material respects.

#### *Accounting Standards Issued But Not Yet Applied*

International Financial Reporting Standard 9, Financial Instruments (“IFRS 9”), was issued in November 2009. It addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends, to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely. This standard is required to be applied for accounting periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

#### *Recently Adopted Accounting Pronouncements*

During the three months ended January 31, 2017, there have been no new accounting policies adopted by the Company.

### **4. USE OF ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The preparation of the financial statements also requires management to exercise judgment in the process of applying the accounting policies.

On an on-going basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its judgments and estimates. Revisions to accounting estimates are recognised prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.



## **CARMAX MINING CORP.**

Notes to the Condensed Interim Financial Statements for the Three Months Ended January 31, 2017  
(Unaudited) (Expressed in Canadian Dollars)

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### **4. USE OF ESTIMATES AND JUDGEMENTS (Continued)**

#### Critical Accounting Estimates

The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

#### *Impairment*

Assets, especially exploration and evaluation assets; are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the recoverable amount requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

#### *Title to Mineral Property Interests*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects (Note 7).

#### *Decommissioning Provisions*

Management's best estimates regarding the decommissioning provisions are based on the current economic environment and future cash flows. Changes in estimates of contamination, restoration standards and restoration activities result in changes to provisions from period to period. Actual decommissioning provisions will ultimately depend on future prices and conditions.

#### Critical Judgments Used in Applying Accounting Policies

#### *Going Concern*

Financial statements are prepared on a going concern basis, unless management either intends to liquidate the Company or to cease trading, or has no realistic alternative to do so. Assessment of the Company's ability to continue as a going concern requires the consideration of all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This information includes estimates of future cash flows and other factors, the outcomes of which are uncertain. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, those uncertainties are disclosed.

## CARMAX MINING CORP.

Notes to the Condensed Interim Financial Statements for the Three Months Ended January 31, 2017  
(Unaudited) (Expressed in Canadian Dollars)

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### 4. USE OF ESTIMATES AND JUDGEMENTS (Continued)

#### *Exploration and Evaluation Expenditures*

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which is based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is impaired in the statement of operations and comprehensive loss during the period the new information becomes available.

#### *Income taxes*

Significant judgment is required in determining the provision for future income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

### 5. INVESTMENT

	January 31, 2017	October 31, 2016
Alexandria Minerals Corporation – 100,000 common shares, quoted at a market value of \$0.06 as at January 31, 2017.	\$ 6,000	\$ 6,000

### 6. RECLAMATION DEPOSITS

The Company was required to post three bonds and one deposit with the Minister of Mines totalling \$180,000 (October 31, 2016 - \$180,000), relating to the on-going and future exploration of the Eaglehead Property in British Columbia. The deposits will be refunded to the Company upon completion of reclamation to the satisfaction of the British Columbia Inspector of Mines. The reclamation deposits are being held in term deposits at various interest rates.

## CARMAX MINING CORP.

Notes to the Condensed Interim Financial Statements for the Three Months Ended January 31, 2017  
(Unaudited) (Expressed in Canadian Dollars)

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### 7. EXPLORATION AND EVALUATION ASSETS

Mineral property expenditures for the three month period ended January 31, 2017 are:

	<b>Eaglehead Property</b>
Property acquisition costs, as at October 31, 2016	\$ 622,512
Deferred exploration costs, as at October 31, 2016	9,901,070
<b>Balance as at October 31, 2016</b>	<b>10,523,582</b>

*Additions during the period:*

Assays	5,275
Camp costs	2,018
Engineering and consulting	35,319
Reclamation work	7,964
Storage	600
Supplies	216
Travel	62
<b>Total for the Period</b>	<b>51,454</b>
<b>Balance as at January 31, 2017</b>	<b>\$ 10,575,036</b>

Mineral property expenditures for the year ended October 31, 2016 are:

	<b>Eaglehead Property</b>
Property acquisition costs, as at October 31, 2015	\$ 622,512
Deferred exploration costs, as at October 31, 2015	8,561,768
<b>Balance as at October 31, 2015</b>	<b>9,184,280</b>

*Additions during the year:*

Assays	468,442
B.C. Mining Exploration Tax Credit received	(123,819)
Camp costs	139,277
Drilling	56,407
Engineering and consulting	197,397
Equipment rental	16,475
Metallurgical	42,665
Reclamation work	51,982
Reports and mapping	3,487
Social licence	273
Storage	1,950
Supplies	20,478
Survey and geological	179,121
Technicians and labour	425

## CARMAX MINING CORP.

Notes to the Condensed Interim Financial Statements for the Three Months Ended January 31, 2017  
(Unaudited) (Expressed in Canadian Dollars)

Transportation	20,355
Travel	154,287
Wages	110,100
<b>Total for the Year</b>	<b>1,339,302</b>
<b>Balance as at October 31, 2016</b>	<b>\$ 10,523,582</b>

### Eaglehead Property

The Company entered into an agreement, effective October 31, 2005, with two former directors of the Company to acquire a 100% interest in the Eaglehead Property, subject to a 2.5% net smelter return (“NSR”) royalty. The Eaglehead property is located near the Dease Lake area of north central British Columbia. The Earnings Option was fulfilled by the Carmax in 2011 as a result of which the claims became 100% owned and controlled by the Company subject to a 2.5% NSR royalty of which 1.5% can be purchased by the Company for \$2,000,000.

The Eaglehead property, as originally acquired, was consolidated into one claim and an additional claim which included four mineral tenures acquired from Copper Fox Metals Inc. (“Copper Fox”), the controlling shareholder of the Company, for \$11,011.

On April 12, 2016, Carmax was advised that its Eaglehead Property had been forfeited for failure to file work or pay cash in lieu of assessment work in order to maintain the claim in good standing. The circumstances giving rise to the forfeiture involved a filing made by Carmax in March 2015 to group all mineral claims to create one mineral claim. Before the amalgamation of the mineral claims there was more than adequate assessment work completed to maintain the claims in good standing.

Following April 12, 2016, intervening parties staked claims over the forfeited land. Carmax made application under Section 67 to the Mineral Tenure Act to the Chief Gold Commissioner for the Province of British Columbia to set aside the forfeiture which would, if granted, allow a further period of time for Carmax to amend the filings in order to maintain the consolidated claim in good standing.

On April 22, 2016, Carmax received the written decision of the Chief Gold Commissioner for the Province of British Columbia re-instating Carmax’s mineral claim and providing Carmax an extension of time to comply with Section 29 of the Mineral Tenure Act (the “Act”) to September 30, 2016.

On June 14, 2016 Carmax received notice that certain parties filed a Petition in the Supreme Court of British Columbia against the Chief Gold Commissioner requesting a judicial review of his decision to reinstate Carmax’s mineral claim #1034634.

The judicial review was heard in the Supreme Court of British Columbia on January 24, 2017. Although Carmax was not a party to the proceeding and until the decision of the Supreme Court is delivered, Carmax’s title to claim #1034634 is in doubt.

## CARMAX MINING CORP.

Notes to the Condensed Interim Financial Statements for the Three Months Ended January 31, 2017  
(Unaudited) (Expressed in Canadian Dollars)

### 8. DECOMMISSIONING PROVISION

The decommissioning provision for the Eaglehead exploration and evaluation asset was estimated by management based on the Company's ownership interest, the estimated timing of the risk adjusted costs to be incurred in future periods and the Company's risk free interest rate of 1.71% at January 31, 2017 (October 31, 2016 – 1.05%). The Company has estimated the net present value of this provision at January 31, 2017 to be \$36,054 (October 31, 2016 - \$36,031) based on a total undiscounted liability of \$36,500. This undiscounted cost was determined by using a risk adjusted rate of inflation of 1.60% at January 31, 2017 (October 31, 2016 – 1.77%). These costs are expected to be incurred in 2021.

	January 31, 2017		October 31, 2016	
Balance, Beginning of Year	\$	36,031	\$	35,467
Accretion		23		564
<b>Balance, End of Period</b>	<b>\$</b>	<b>36,054</b>	<b>\$</b>	<b>36,031</b>

### 9. SHARE CAPITAL

#### a) Authorized

An unlimited number of common shares without par value.

#### b) Issued and Outstanding

During the three month period ended January 31, 2017, there were no shares issued by the Company.

#### c) Warrants

A summary of changes in share purchase warrants for the three month period ended January 31, 2017 and the year ended October 31, 2016 is presented below:

	Three Months Ended January 31, 2017		Year Ended October 31, 2016	
	Number of Warrants Outstanding	Weighted Average Exercise Price	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance, Beginning of Year	16,180,450	\$ 0.083	44,226,528	\$ 0.079
Expired	(5,108,450)	0.010	(28,046,078)	0.077
<b>Balance, End of Period</b>	<b>11,000,000</b>	<b>\$ 0.075</b>	<b>16,180,450</b>	<b>\$ 0.083</b>

## CARMAX MINING CORP.

Notes to the Condensed Interim Financial Statements for the Three Months Ended January 31, 2017  
(Unaudited) (Expressed in Canadian Dollars)

### 9. SHARE CAPITAL (Continued)

As at January 31, 2017 share purchase warrants were outstanding for the purchase of common shares as follows:

<b>Number of Warrants Outstanding</b>	<b>Warrant Exercise Price</b>	<b>Warrants Exercisable as of January 31, 2017</b>	<b>Warrant Expiry Date</b>
11,000,000	\$ 0.075	11,000,000	May 1, 2017
<b>11,000,000</b>	<b>\$ 0.075</b>	<b>11,000,000</b>	

As at January 31, 2017, the weighted average remaining contractual life of the share purchase warrants was 0.25 years (October 31, 2016 – 0.66 years) and the weighted average exercise price was \$0.075 (October 31, 2016 - \$0.083).

### 10. SHARE BASED PAYMENTS

#### *Stock Options*

The Company has a fixed stock option plan which follows the policies of the TSX Venture Exchange (“TSX-V”) regarding stock option awards granted to directors, officers, employees and consultants. The stock option plan allows a maximum of 10% of the issued shares to be reserved for issuance under the plan.

A summary of changes in stock options for the three month period ended January 31, 2017 and the year ended October 31, 2016 is presented below:

	<b>Three Months Ended January 31, 2017</b>		<b>Year Ended October 31, 2016</b>	
	<b>Number of Options Outstanding</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Options Outstanding</b>	<b>Weighted Average Exercise Price</b>
<b>Balance, Beginning of Year:</b>	<b>4,700,000</b>	<b>\$ 0.06</b>	5,250,000	\$ 0.07
Cancelled	-	-	(550,000)	(0.10)
<b>Balance, End of Period</b>	<b>4,700,000</b>	<b>\$ 0.07</b>	4,700,000	\$ 0.06

## CARMAX MINING CORP.

Notes to the Condensed Interim Financial Statements for the Three Months Ended January 31, 2017  
(Unaudited) (Expressed in Canadian Dollars)

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### 10. SHARE BASED PAYMENTS (Continued)

As at January 31, 2017, options were outstanding for the purchase of common shares as follows:

Number of Options Outstanding	Option Exercise Price	Options Exercisable as of January 31, 2017	Option Expiry Date
3,450,000	\$ 0.07	3,450,000	July 9, 2019
900,000	\$ 0.05	900,000	April 29, 2020
350,000	\$ 0.05	350,000	October 16, 2020
<b>4,700,000</b>	<b>\$ 0.06</b>	<b>4,700,000</b>	

As at January 31, 2017, the weighted average remaining contractual life of the options was 2.69 years (October 31, 2016 – 3.37 years) and the weighted average exercise price was \$0.06 (October 31, 2016 - \$0.06).

Compensation costs attributable to the granting and vesting of share options are measured at fair value and expensed with a corresponding increase to share-based payment reserve. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in share-based payment reserve is recorded as an increase to share capital. Upon expiry, the amounts recorded for share-based compensation are transferred to the deficit from the share-based payment reserve.

#### *Options Issued to Employees*

The fair value measured at the grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, expected forfeitures, the term of the option, the share price at grant date, the expected volatility of the underlying share, the dividend yield and the risk free interest rate of the option.

During the three month period ended January 31, 2017, the Company did not issue any options to employees.

#### *Options Issued to Non-Employees*

Options issued to non-employees are measured based on the fair value of the goods or services received at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

During the three month period ended January 31, 2017, the Company did not issue any options to non-employees.

## CARMAX MINING CORP.

Notes to the Condensed Interim Financial Statements for the Three Months Ended January 31, 2017  
(Unaudited) (Expressed in Canadian Dollars)

### 11. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for the planning, directing and controlling of the Company's activities, and include both executive and non-executive directors, as well as entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

At January 31, 2017, included in accounts payable and accrued liabilities is \$Nil (October 31, 2016 – \$Nil) owing to companies controlled by directors, \$Nil (October 31, 2016 - \$Nil) owing to Companies controlled by officers for services rendered to the Company and \$73,719 (October 31, 2016 - \$72,108) owing to Copper Fox.

For the three month period ended January 31, 2017, \$2,500 (January 31, 2016 - \$3,750) was paid in rent to a company controlled by an officer of Carmax. In addition, \$12,850 (October 31, 2016 - \$4,263) was paid and capitalized to Eaglehead for services rendered by a company controlled by a former director, a company controlled by a current director and Copper Fox. These amounts payable are non-interest bearing, unsecured and have no specific terms of repayment.

As at January 31, 2017 and October 31, 2016, coupled with the three months ended January 31, 2017 and January 31, 2016, the Company incurred the following capitalizations and expenditures for key management personnel and companies directly controlled by them.

	As At January 31, 2017	As At October 31, 2016
<i>Balance Sheet Items:</i>		
Exploration and evaluation assets	\$ 12,850	\$ 4,263
<b>Total</b>	<b>\$ 12,850</b>	<b>\$ 4,263</b>

	Three Months Ended January 31, 2017	Three Months Ended January 31, 2016
<i>Statement of Operations Items:</i>		
Consulting	\$ 26,500	\$ 41,200
Director fees	3,500	4,500
Rent	2,500	3,750
<b>Total</b>	<b>\$ 32,500</b>	<b>\$ 49,450</b>

#### Promissory Note

On October 28, 2015 Carmax entered into a promissory note loan (the "Loan") with Copper Fox, whereas Copper Fox agreed to lend Carmax up to \$400,000, in minimum increments of \$50,000, for working capital purposes, as needed. Carmax shall pay interest on the principle, from the disbursement date to the due date, November 30, 2018, at a rate of 1% per annum, compounded annually.



## **CARMAX MINING CORP.**

Notes to the Condensed Interim Financial Statements for the Three Months Ended January 31, 2017  
(Unaudited) (Expressed in Canadian Dollars)

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### **11. RELATED PARTY TRANSACTIONS (Continued)**

At any time during the term of the Loan, Copper Fox, at its sole discretion, can convert a portion or the entire loan outstanding, including unpaid interest, into free trading shares of Carmax at a price equal to the greater of \$0.05 or the trading price, subject to the prior approval of the exchange.

For accounting purposes, the promissory note is considered a liability since the conversion feature is not "fixed for fixed" and is therefore considered an embedded derivative. However, the embedded derivative liability has no value as the conversion price is set at the market price on the date of the conversion. Therefore, the full value of the promissory note is classified as a liability.

As at January 31, 2017, Copper Fox had loaned Carmax a total of \$101,000 (October 31, 2016 - \$101,000).

### **12. CAPITAL RISK MANAGEMENT**

The Company considers its capital structure to consist of share capital, share options, SARs and warrants. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative returns on capital criteria for management.

The mineral properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. Additional sources of funding, which may not be available on favourable terms, if at all, include: share equity and debt financings; equity, debt or property level joint ventures; and sale of interests in existing assets. In order to carry out the planned exploration and development and pay for operating expenses, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three month period ended January 31, 2017. The Company is not subject to externally imposed capital requirements. The Company's investment policy is to invest its surplus cash in highly liquid short-term interest-bearing investments; all held within major Canadian financial institutions.

## CARMAX MINING CORP.

Notes to the Condensed Interim Financial Statements for the Three Months Ended January 31, 2017  
(Unaudited) (Expressed in Canadian Dollars)

### 13. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT DISCLOSURES

The Company's financial assets and financial liabilities are categorized as follows:

	Input Level	As At January 31, 2017		As At October 31, 2016	
		Carrying Amount	Estimated Fair value	Carrying Amount	Estimated Fair Value
<i>Financial Assets:</i>					
Cash	1	\$ 24,933	\$ 24,933	\$ 130,730	\$ 130,730
Investment	1	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000
<b>Total</b>		<b>\$ 30,933</b>	<b>\$ 30,933</b>	<b>\$ 130,730</b>	<b>\$ 130,730</b>

	Input Level	As At January 31, 2017		As At October 31, 2016	
		Carrying Amount	Estimated Fair value	Carrying Amount	Estimated Fair Value
<i>Financial Liabilities:</i>					
A/P and acc. liabilities	1	\$ 97,506	\$ 97,506	\$ 142,700	\$ 142,700
<b>Total</b>		<b>\$ 97,506</b>	<b>\$ 97,506</b>	<b>\$ 142,700</b>	<b>\$ 142,700</b>

#### Fair Value

The estimated fair values, established by IFRS 7, of cash, short term investments and accounts payable approximate their respective carrying values due to the immediate or short period to maturity. The available for sale investments are carried at fair values based on the published or electronic market price quotation.

The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value as follows:

*Level 1* - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets;

*Level 2* - Inputs other than quoted prices that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

*Level 3* - Significant unobservable (no market data available) inputs which are supported by little or no market activity.

#### Risk Management

Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

## CARMAX MINING CORP.

Notes to the Condensed Interim Financial Statements for the Three Months Ended January 31, 2017  
(Unaudited) (Expressed in Canadian Dollars)

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### 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT DISCLOSURES (Continued)

#### a) Credit Risk

The Company does not currently generate any revenues from sales to customers nor does it hold derivative type instruments that would require a counterparty to fulfil a contractual obligation. The Company does not have any asset-backed commercial instruments. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and short term investments. To minimize the credit risk the Company places cash with the high credit quality financial institutions. The Company considers its exposure to credit risk to be insignificant.

#### b) Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its financial obligations. The Company manages liquidity risk and requirements by maintaining sufficient cash balances and or through additional financings to ensure that there is sufficient capital in order to meet short term obligations. As at October 31, 2016, the Company has cash and investments aggregating \$30,933 (October 31, 2016 - \$130,730) and current financial liabilities of \$97,506 (October 31, 2016 - \$142,700) which have contractual maturities of 30 days or less. The Company will require additional sources of equity, joint venture partnership or debt financing to fund ongoing operations and the exploration and development of its mineral properties.

In the event that the Company is not able to obtain adequate additional funding to continue as a going concern, material adjustments would be required to both the carrying value and classification of assets and liabilities on the statement of financial position. It is not possible to predict, due to many external factors including commodity prices and equity market conditions, as to whether future financing will be successful or available at all.

#### c) Market Risk

##### *i) Interest Rate Risk*

The Company manages its interest rate risk by obtaining commercial deposit interest rates available in the market by the major Canadian financial institutions on its cash and short term investments.

##### *ii) Foreign Exchange Risk*

The Company's functional currency and the reporting currency is the Canadian dollar. Periodically the Company incurs charges on its operations for settlement in currencies other than its functional currency and any gain or loss arising on such transactions is recorded in operations for the year.

The Company does not participate in any hedging activities to mitigate any gains or losses which may arise as a result of exchange rate changes.

## **CARMAX MINING CORP.**

Notes to the Condensed Interim Financial Statements for the Three Months Ended January 31, 2017  
(Unaudited) (Expressed in Canadian Dollars)

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### **13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT DISCLOSURES (Continued)**

As at January 31, 2017, the Company held no financial assets or liabilities which were denominated in currencies other than the Canadian dollar.

#### *iii) Commodity Price Risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. To mitigate price risk, the Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.