



FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
OCTOBER 31, 2016**

(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Carmax Mining Corp.

We have audited the accompanying financial statements of Carmax Mining Corp., which comprise the statement of financial position as at October 31, 2016, and the statements of operations and comprehensive loss, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.



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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Carmax Mining Corp. as at October 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

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

Other Matters

The financial statements of Carmax Mining Corp. for the year ended October 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on February 24, 2016.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

February 22, 2017

CARMAX MINING CORP.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	As at October 31, 2016	As at October 31, 2015
<u>ASSETS</u>		
Current Assets		
Cash	\$ 130,730	\$ 512,829
GST receivable	29,982	19,823
Prepaid expenses	-	9,150
Total Current Assets	160,712	541,802
Investment (Note 5)	6,000	2,500
Reclamation Deposits (Note 6)	180,000	135,000
Exploration and Evaluation Assets (Note 7)	10,523,582	9,184,280
Total Assets	\$ 10,870,294	\$ 9,863,582
<u>LIABILITIES AND EQUITY</u>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 142,700	\$ 312,796
Decommissioning Provision (Note 8)	36,031	35,467
Promissory Note (Note 12)	101,000	100,000
Total Liabilities	279,731	448,263
Equity		
Share capital (Note 9)	15,992,459	14,500,597
Share-based payment reserve	247,970	279,077
Accumulated other comprehensive loss	(18,500)	(22,000)
Deficit	(5,631,366)	(5,342,355)
Total Equity	10,590,563	9,415,319
Total Liabilities and Equity	\$ 10,870,294	\$ 9,863,582

Nature and continuance of operations (Note 1)
Subsequent Event (Note 15)

These financial statements were approved and authorized for issue by the Board of Directors on February 22, 2017 by:

“Jevin Werbes”

Chief Executive Officer

“Elmer Stewart”

Director

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

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

	Year Ended October 31, 2016	Year Ended October 31, 2015
Operating Expenses		
Accretion	\$ 564	\$ 564
Consulting	173,420	167,738
Director fees (Note 12)	19,500	10,500
Insurance	23,850	19,958
Interest	1,000	-
Office	18,508	21,676
Professional fees	32,737	40,231
Promotion and entertainment	6,555	23,123
Rent (Note 12)	15,000	11,900
Share-based payments	-	53,006
Shareholder communications	11,820	31,276
Transfer agent and regulatory fees	17,112	20,649
Travel	7,519	10,504
Wages	-	10,082
Loss Before Non-Operating Items	327,585	421,207
Non-Operating Income		
Interest income	7,467	3,722
Loss Before Taxes	(320,118)	(417,485)
Income Taxes		
Deferred income tax recovery (Note 11)	-	30,000
Net Loss	(320,118)	(387,485)
Other Comprehensive Income/(Loss)		
Unrealized gain/(loss) on AFS investment	3,500	(2,500)
Comprehensive Loss	(316,618)	(389,985)
Basic and Diluted Loss per Share	\$ (0.00)	\$ (0.01)
Weighted Average Number of Shares Outstanding	95,824,718	65,373,940

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

CARMAX MINING CORP.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Shares	Amount	Share- Based Payment Reserve	Accumulated Other Comprehensive Loss	Deficit	Total Equity
Balance, October 31, 2014	55,562,076	\$ 13,768,130	\$ 270,399	\$ (19,500)	\$ (4,999,196)	\$ 9,019,833
Shares issued for cash	16,180,450	809,023	-	-	-	809,023
Share issuance costs	-	(46,556)	-	-	-	(46,556)
Expiration of share-based compensation	-	-	(44,328)	-	44,328	-
Revaluation of investment to market value	-	-	-	(2,500)	-	(2,500)
Share-based compensation	-	-	53,006	-	-	53,006
Flow-through share premium	-	(30,000)	-	-	-	(30,000)
Net loss for the year	-	-	-	-	(387,485)	(387,485)
Balance, October 31, 2015	71,742,526	\$ 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)
Balance, October 31, 2016	101,742,526	\$ 15,992,459	\$ 247,970	\$ (18,500)	\$ (5,631,366)	\$ 10,590,563

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

CARMAX MINING CORP.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended October 31, 2016	Year Ended October 31, 2015
Cash Used in Operating Activities		
Net loss	\$ (320,118)	\$ (387,485)
<i>Items not affecting cash:</i>		
Accretion	564	564
Accrued interest	1,000	1,115
Share-based compensation	-	53,006
	(318,554)	(332,800)
<i>Changes in non-cash working capital items:</i>		
Accounts payable and accrued liabilities	(811)	(46,145)
GST receivable	(10,159)	23,093
Prepaid expenses	9,150	22,343
Cash Used in Operating Activities	(320,374)	(333,509)
Cash Used in Investing Activities		
B.C. Mining Exploration Tax Credit received	123,819	286,483
Exploration and evaluation assets	(1,632,406)	(598,266)
Reclamation deposit	(45,000)	-
Short term investments, net	-	250,000
Cash Used in Investing Activities	(1,553,587)	(61,783)
Cash Provided by Financing Activities		
Proceeds from promissory note	-	100,000
Proceeds from share issuances	1,500,000	779,021
Share issue costs	(8,138)	(46,556)
Cash Provided by Financing Activities	1,491,862	832,465
Change in cash for the year	(382,099)	437,173
Cash, beginning of year	512,829	75,656
Cash, End of Year	\$ 130,730	\$ 512,829
<i>Disclosure of Non-Cash Transactions:</i>		
Exploration & evaluation assets in accounts payable	\$ 128,606	\$ 297,891
Reversal of share-based payment reserve	\$ 31,107	\$ 44,328
Unrealized gain/(loss) on investments	\$ 3,500	\$ (2,500)

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

CARMAX MINING CORP.

Notes to the Financial Statements for the Years Ended October 31, 2016 and October 31, 2015.
(Expressed in Canadian Dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

a) 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.

b) Continuance of Operations

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

During the year ended October 31, 2016, the Company incurred a net loss of \$320,118 (October 31, 2015 - \$387,485) and as at October 31, 2016 had an accumulated deficit of \$5,631,366 (October 31, 2015 - \$5,342,355). To date, the operations of the Company have solely been funded through the issuance of common shares. Continued operations are dependent on the Company’s ability to complete future equity financings. 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 consolidated statement of financial position. Due to many external factors, including commodity prices and equity market conditions, it is not possible to predict whether future financings will be successful or available at all. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

2. BASIS OF PRESENTATION

c) 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**”). These financial statements were authorized for issue by the Board on February 22, 2017.

CARMAX MINING CORP.

Notes to the Financial Statements for the Years Ended October 31, 2016 and October 31, 2015.
(Expressed in Canadian Dollars)

2. BASIS OF PRESENTATION (Continued)

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 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 significant accounting policies used in the preparation of these financial statements set out below have been applied consistently in all material respects.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes. As of October 31, 2016 and 2015, the Company had no cash equivalents.

Short Term Investments

Short term investments include investments that are convertible to known amounts of cash and have a maturity of one year or less. As at October 31, 2016 and 2015, the Company had no short term investments.

Basic and Diluted Loss per Share

Basic earnings per share are computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The

CARMAX MINING CORP.

Notes to the Financial Statements for the Years Ended October 31, 2016 and October 31, 2015.
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the “if converted” method. Diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

Exploration and Evaluation Assets

Pre-exploration costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and evaluation costs for mineral properties

Once the legal right to explore a property has been acquired, exploration and evaluation expenditures are recognized and capitalized. Mineral exploration costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Once the technical feasibility and commercial viability of extraction of the mineral resources has been determined, the property is considered to be a property under development and is reclassified as such. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while those costs for the prospects abandoned are written off.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, an impairment loss is recognized.

Facts and circumstances that indicate a test for impairment as defined in *IFRS 6 exploration and evaluation assets* include the following:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area;
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

CARMAX MINING CORP.

Notes to the Financial Statements for the Years Ended October 31, 2016 and October 31, 2015.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The recoverability of the amounts capitalized for the undeveloped mineral property is dependent upon the determination of economically recoverable mineral resources, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

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

Management's capitalization of exploration and development costs and assumptions regarding the future recoverability of such costs are subject to significant estimation uncertainty. Management's assessment of recoverability is based on, among other things, the Company's estimate of current mineral resources which are supported by geological estimates, estimated commodity prices, and the procurement of all necessary regulatory permits and approvals. These assumptions and estimates could change in the future and this could materially affect the carrying value and the ultimate recoverability of the amounts recorded for mineral properties.

Mining Tax Credits

Mining tax credits are recorded in the financial statements when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining tax credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related exploration and evaluation assets.

Equipment

Exploration equipment is recorded at cost and depreciated over its estimated useful life at 30% straight line per annum.

The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and are adjusted if appropriate.

Share-Based Payments

Equity-settled share based payments for directors, officers, employees and consultants are measured at fair value using the Black-Scholes option valuation model at the stock option grant date and recorded as an expense in the financial statements with a corresponding increase in the share-based

CARMAX MINING CORP.

Notes to the Financial Statements for the Years Ended October 31, 2016 and October 31, 2015.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

payment reserve. The fair value determined at the grant date of the equity-settled share based payments is expensed using the graded vesting method over the vesting period based on the Company's estimate of the amount of shares that will eventually vest. Consideration paid by optionees on exercise of stock options together with their fair values is credited to share capital. The fair values of expired, forfeited and cancelled options are removed from the share-based payment reserve and credited to deficit.

Compensation expense on stock options granted to consultants is measured at the earlier of the completion of performance and the date the options are vested at the fair value of the goods and services received and are recorded as an expense in the same period as if the Company had paid cash for the goods or services received. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by the use of the Black-Scholes model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Income Taxes

Income tax expense comprises of current and deferred tax. Current and deferred tax is recognized in the statement of operations except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current income taxes are the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Impairment of Long-lived Assets

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

CARMAX MINING CORP.

Notes to the Financial Statements for the Years Ended October 31, 2016 and October 31, 2015.
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in the statement of operations for the period. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

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.

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 depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial assets in the following categories depending on the purpose for which the instruments were acquired.

Financial assets are classified into one of four categories: Financial assets at fair value through profit or loss ("**FVTPL**"), held-to-maturity investments, available for sale ("**AFS**") financial assets and loans and receivable.

The Company has classified cash as FVTPL and reclamation deposits and other receivables as loans and receivable, which are recorded at amortized cost.

The Company has classified its investment as AFS. Available for sale financial assets are measured at fair value, with unrealized gains and losses recorded in other comprehensive income or loss until the asset is realized, at which time they will be recorded in net income or loss.

CARMAX MINING CORP.

Notes to the Financial Statements for the Years Ended October 31, 2016 and October 31, 2015.

(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. Financial assets are impaired when one or more events that occurred after the initial recognition of the financial asset have been impacted.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding trade receivables, is directly reduced by the impairment loss. The carrying amount of trade receivables is reduced through the use of an allowance. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of operations and comprehensive loss.

Impairment losses on loans and receivables carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at FVTPL, or other financial liabilities, as appropriate.

The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value.

The Company's financial liabilities include accounts payables and accrued liabilities and promissory note. Subsequent to initial recognition, accounts payable and accrued financial liabilities are measured at amortized cost using the effective interest method.

Decommissioning Provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to the amount of the related asset along with a corresponding increase in the decommissioning provision in the period incurred. Provisions are determined by discounting the risk-adjusted expected future cash flows to take into consideration risks and uncertainties involving the transaction. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The decommissioning cost is depreciated on the same basis as the related asset. The liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognition in the statement of operations and comprehensive loss. The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures.

CARMAX MINING CORP.

Notes to the Financial Statements for the Years Ended October 31, 2016 and October 31, 2015.
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

These changes are recorded directly to the related asset with a corresponding entry to the rehabilitation provision.

The Company's estimates are reviewed at each reporting date for changes in regulatory requirements, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of reclamation costs, are charged to the statement of operations and comprehensive loss for the period.

Translation of Foreign Currencies

The financial statements are presented in Canadian dollars which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined and are not subsequently retranslated. Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of operation and comprehensive loss in the period in which they arise.

Share Capital

Share issue costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issue costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issue costs related to uncompleted share subscriptions are charged to operations.

Fair value of warrants

Proceeds from unit placements are allocated between shares and warrants using the residual method whereby the shares are recorded at fair value and any residual is allocated to the warrant. The value of warrants issued to brokers is determined by using the Black-Scholes model.

Flow-through shares

The Company provides certain share subscribers with a flow-through component for tax incentives available on qualifying Canadian exploration expenditures. The increase to share capital when flow-through shares are issued is measured based on the current market price of the common shares. Any premium, being the excess of the proceeds over the market value of the common shares, is recorded

CARMAX MINING CORP.

Notes to the Financial Statements for the Years Ended October 31, 2016 and October 31, 2015.
(Expressed in Canadian Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

as a liability. At the later of the renouncing and the incurrence of the expenditure, the Company de-recognizes the liability, and the premium amount is recognized as a credit to deferred tax in the statement of operations and comprehensive loss. The Company may be subject to a Part XII.6 tax on flow-through proceeds, renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

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

There have been no new accounting policies adopted by the Company that have had a significant impact on the financial statements.

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.

Critical Accounting Estimates

The following are the key estimate and assumption uncertainties that have a significant risk of resulting

CARMAX MINING CORP.

Notes to the Financial Statements for the Years Ended October 31, 2016 and October 31, 2015.
(Expressed in Canadian Dollars)

4. USE OF ESTIMATES AND JUDGEMENTS (Continued)

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.

Share-Based Payment Transactions

The Company measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and the dividend yield. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 10.

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.

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 Financial Statements for the Years Ended October 31, 2016 and October 31, 2015.
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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

	October 31, 2016	October 31, 2015
Alexandria Minerals Corporation – 100,000 common shares, quoted at a market value of \$0.06 as at October 31, 2016.	\$ 6,000	\$ 2,500

6. RECLAMATION DEPOSITS

The Company was required to post three bonds and one deposit with the Minister of Mines totalling \$180,000 (October 31, 2015 - \$135,000), 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.

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7. EXPLORATION AND EVALUATION ASSETS

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

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

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

CARMAX MINING CORP.

Notes to the Financial Statements for the Years Ended October 31, 2016 and October 31, 2015.
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7. EXPLORATION AND EVALUATION ASSETS (Continued)

Mineral property expenditures for the year ended October 31, 2015 are:

	Eaglehead Property
Property acquisition costs, as at October 31, 2014	\$ 622,512
Deferred exploration costs, as at October 31, 2014	7,764,224
Balance as at October 31, 2014	8,386,736

Additions during the year:

Amortization of field equipment	771
Assays	89,213
B.C. Mining Exploration Tax Credit receivable	29,838
Camp costs	43,893
Drilling	176,512
Engineering and consulting	163,760
Equipment rental	300
Reports and mapping	3,088
Storage	2,000
Supplies	13,486
Survey and geological	34,307
Technicians and labour	35,756
Transportation	26,672
Travel	82,147
Wages	95,801
Total for the Year	797,544
Balance as at October 31, 2015	\$ 9,184,280

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.

The area covering four mineral tenures, 981 hectares, is also subject to a separate 2% NSR royalty payable to an arm’s length third party, one-half (1%) of which may be purchased for \$1,000,000.

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7. EXPLORATION AND EVALUATION ASSETS (Continued)

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.

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 1.05% at October 31, 2016. The Company has estimated the net present value of this provision at October 31, 2016 to be \$36,031 (October 31, 2015 - \$35,467) based on a total undiscounted liability of \$36,500. This undiscounted cost was determined by using a risk adjusted rate of inflation of 1.77%. These costs are expected to be incurred in 2021.

	October 31, 2016	October 31, 2015
Balance, Beginning of Year	\$ 35,467	\$ 34,903
Accretion	564	564
Balance, End of Year	\$ 36,031	\$ 35,467

9. SHARE CAPITAL

a) Authorized

An unlimited number of common shares without par value.

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9. SHARE CAPITAL (Continued)

b) *Issued and Outstanding*

During the year ended October 31, 2016, the Company incurred the following share issuances:

- The Company closed a non-brokered private placement (the “**Offering**”), raising gross proceeds of \$1,500,000 in flow-through funds from the issuance of 30,000,000 flow-through shares at a price of \$0.05 per share.

The placement was made in its entirety to Northern Fox Copper Inc. (“**Northern Fox**”). At the closing of the Offering, Northern Fox’s equity interest in Carmax increased to 65.4% of the outstanding shares, 68.2% on a fully diluted basis.

The Company incurred share issuance costs comprising of legal fees amounting to \$8,138.

During the year ended October 31, 2015, the Company incurred the following share issuances:

- On December 23, 2014, the Company issued 3,000,000 units at \$0.05 each pursuant to a private placement for gross proceeds of \$150,000. Each unit consists of one flow-through common share and one callable share purchase warrant. Each share purchase warrant is exercisable into one non-flow through-common share at \$0.10 until December 23, 2016. Finders’ fees of \$12,000 were paid pursuant to this financing.
- On January 14, 2015, the Company issued 2,180,450 units to Northern Fox at a price of \$0.05 per unit for total aggregate proceeds of \$109,023 pursuant to the pre-emptive and non-dilution rights included in the letter agreement between Copper Fox and the Company. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share at \$0.10 until January 14, 2017.

The Company also incurred other share issuance costs comprising legal fees and filing fees amounting to \$24,073 in connection with the above two financings.

- On May 1, 2015, the Company issued 11,000,000 units to Northern Fox at a price of \$0.05 per unit for total aggregate proceeds of \$550,000, pursuant to a private placement. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share at \$0.075 until May 1, 2017. No finders’ fees were paid in relation to this financing.

The Company incurred share issuance costs comprising of legal fees amounting to \$10,483.

c) *Warrants*

A summary of changes in share purchase warrants for the year ended October 31, 2016 and the year ended October 31, 2015 is presented below:

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9. SHARE CAPITAL (Continued)

	Year Ended October 31, 2016		Year Ended October 31, 2015	
	Number of Warrants Outstanding	Weighted Average Exercise Price	Number of Warrants Outstanding	Weighted Average Exercise Price
Balance, Beginning of Year	44,226,528	\$ 0.079	28,046,078	\$ 0.077
Expired	(28,046,078)	0.077	-	-
Issued	-	-	16,180,450	0.083
Balance, End of Year	16,180,450	\$ 0.083	44,226,528	\$ 0.079

As at October 31, 2016 share purchase warrants were outstanding for the purchase of common shares as follows:

Number of Warrants Outstanding	Warrant Exercise Price	Warrants Exercisable as at October 31, 2016	Warrant Expiry Date
3,000,000 ¹	\$ 0.100	3,000,000	December 23, 2016
2,180,450 ²	\$ 0.100	2,180,450	January 14, 2017
11,000,000	\$ 0.075	11,000,000	May 1, 2017
16,180,450	\$ 0.083	16,180,450	

¹ Subsequent to year end, on December 23, 2016, these 3,000,000 warrants expired.

² Subsequent to year end, on January 14, 2017, these 2,180,450 warrants expired.

As at October 31, 2016, the weighted average remaining contractual life of the share purchase warrants was 0.39 years (October 31, 2015 – 0.91 years) and the weighted average exercise price was \$0.083 (October 31, 2015 - \$0.079).

10. SHARE BASED PAYMENTS

Stock Options

The Company has a fixed stock option plan which follows the policies of the 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. The options vest as determined by the Board of Directors.

A summary of changes in stock options for the year ended October 31, 2016 and for the year ended October 31, 2015 is presented below:

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10. SHARE BASED PAYMENTS (Continued)

	Year Ended October 31, 2016		Year Ended October 31, 2015	
	Number of Options Outstanding	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Exercise Price
Balance, Beginning of Year:	5,250,000	\$ 0.07	4,800,000	\$ 0.07
Cancelled/Expired	(550,000)	0.10	(800,000)	(0.08)
Granted	-	-	1,250,000	0.05
Balance, End of Year	4,700,000	\$ 0.06	5,250,000	\$ 0.07

As at October 31, 2016, options were outstanding for the purchase of common shares as follows:

Number of Options Outstanding	Option Exercise Price	Options Exercisable as at October 31, 2016	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
4,700,000	\$ 0.06	4,700,000	

As at October 31, 2016, the weighted average remaining contractual life of the options was 2.94 years (October 31, 2015 – 3.62 years) and the weighted average exercise price was \$0.06 (October 31, 2015 - \$0.07).

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 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 deficit from 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 year ended October 31, 2016, the Company recorded \$Nil (October 31, 2015 - \$53,006) in share-based payment expense for options accruing or vesting during the year.

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Notes to the Financial Statements for the Years Ended October 31, 2016 and October 31, 2015.
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10. SHARE BASED PAYMENTS (Continued)

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.

For the year ended October 31, 2016 and 2015 the Company did not issue any options to non-employees.

The fair value of each stock option granted to employees is estimated on the date of grant and recognized over the vesting period. The fair value of stock options granted to non-employees that vest over time, are re-valued at each vesting period. All stock options are estimated using the Black-Scholes option-pricing model with weighted average assumptions as follows:

	Year Ended October 31, 2016	Year Ended October 31, 2015
Risk free interest rate	-	0.65% - 0.83%
Expected life	-	5 years
Expected volatility	-	136% - 143%
Expected forfeiture	-	-
Expected dividend yield	-	-
Fair Value of Options Issued	\$ -	\$ 0.03

11. INCOME TAXES

A reconciliation of the Company's effective income tax expense at statutory tax rates is as follows:

	Year Ended October 31, 2016	Year Ended October 31, 2015
Statutory tax rate	26%	26%
Expected tax recovery	\$ (83,000)	\$ (109,000)
Change in rates and other	46,000	-
Permanent differences	-	(27,000)
Impact of flow-through shares	390,000	39,000
Share issuance cost	(2,000)	-
Adjustment to prior years provision	(89,000)	4,000
Change in deferred tax assets not recognized	(262,000)	63,000
Deferred Income Tax Recovery	\$ -	\$ (30,000)

CARMAX MINING CORP.

Notes to the Financial Statements for the Years Ended October 31, 2016 and October 31, 2015.
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11. INCOME TAXES (Continued)

The significant components of the Company's deferred income tax assets are as follows:

	October 31, 2016	October 31, 2015
Non-capital losses carried forward	\$ 1,315,000	\$ 1,237,000
Asset retirement obligation	9,000	9,000
Equipment	11,000	11,000
Investments	2,000	3,000
Share issuance costs deductible in future periods	15,000	20,000
Deferred Income Tax Assets	1,352,000	1,280,000
Excess of book value over tax value:		
Resources Properties and Deferred Exploration Expenditures	(1,040,000)	(745,000)
Net deferred income tax assets	312,000	535,000
Deferred tax assets not recognized	(312,000)	(535,000)
Total	\$ -	\$ -

The Company has Canadian non-capital losses carried forward of approximately \$5,059,000 (October 31, 2015 - \$4,760,000) that have an expiry date range of 2017 to 2036. The potential tax benefits of these losses have not been recognized as realization is not considered more likely than not.

12. 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 October 31, 2016, included in accounts payable and accrued liabilities is \$Nil (October 31, 2015 - (\$3,806)) owing to companies controlled by directors, \$Nil (October 31, 2015 - \$4,830) owing to Companies controlled by officers for services rendered to the Company and \$72,108 (October 31, 2015 - \$50,254) owing to Copper Fox. These amounts payable are non-interest bearing, unsecured and have no specific terms of repayment.

In addition, for the year ended October 31, 2016, \$15,000 (October 31, 2015 - \$11,900) was paid in rent to a company controlled by an officer of Carmax and \$12,513 (October 31, 2015 - \$73,403) was paid and capitalized to the Eaglehead property for services rendered by a company controlled by a former director.

As at October 31, 2016 and 2015, and during the year ended October 31, 2016 and 2015, the Company incurred the following capitalizations and expenditures for key management personnel and companies directly controlled by them.

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12. RELATED PARTY TRANSACTIONS (Continued)

	As at October 31, 2016	As at October 31, 2015
<i>Capitalized Items:</i>		
Exploration and evaluation assets	\$ 231,442	\$ 188,942
Total	\$ 231,442	\$ 188,942
	Year Ended October 31, 2016	Year Ended October 31, 2015
<i>Statement of Operations Items:</i>		
Consulting	\$ 136,445	\$ 128,000
Director fees	19,500	10,500
Office administration	-	9,000
Professional fees	-	18,010
Rent	15,000	11,900
Share-based compensation	-	38,260
Total	\$ 170,945	\$ 215,670

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, 2016, at a rate of 1% per annum, compounded annually. Subsequent to October 31, 2016, the due date was amended to November 30, 2018.

At any time during the term of the Loan, Copper Fox, at its sole discretion, can convert a portion or all of the 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 October 31, 2016, Copper Fox had loaned Carmax a total of \$100,000. With interest the total amount outstanding was \$101,000 at year end (October 31, 2015 - \$100,000).

13. CAPITAL RISK MANAGEMENT

The Company considers its capital structure to consist of share capital, share options, 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 return on capital criteria for management.

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13. CAPITAL RISK MANAGEMENT (Continued)

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 year ended October 31, 2016. 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.

14. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT DISCLOSURES

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

	Input Level	As at October 31, 2016		As at October 31, 2015	
		Carrying Amount	Estimated Fair value	Carrying Amount	Estimated Fair Value
<i>Financial Assets:</i>					
Cash	1	\$ 130,730	\$ 130,730	\$ 512,829	\$ 512,829
Investment	1	\$ 6,000	\$ 6,000	\$ 2,500	\$ 2,500
Total		\$ 136,730	\$ 136,730	\$ 515,329	\$ 515,329

	Input Level	As at October 31, 2016		As at October 31, 2015	
		Carrying Amount	Estimated Fair value	Carrying Amount	Estimated Fair Value
<i>Financial Liabilities:</i>					
A/P and acc. liabilities	1	\$ 142,700	\$ 142,700	\$ 312,796	\$ 312,796
Total		\$ 142,700	\$ 142,700	\$ 312,796	\$ 312,796

Fair Value

The estimated fair values, established by IFRS 7, of cash, 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.

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Notes to the Financial Statements for the Years Ended October 31, 2016 and October 31, 2015.
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14. FINANCIAL INSTRUMENTS AND RISKS MANAGEMENT DISCLOSURES (Continued)

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:

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. 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 \$136,730 (October 31, 2015 - \$515,329) and current financial liabilities of \$142,700 (October 31, 2015 - \$312,796) 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.

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14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT DISCLOSURES (Continued)

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 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.

As at October 31, 2016, 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.

15. SUBSEQUENT EVENT

On November 28, 2016, the promissory note loan agreement (Note 12) maturity date was extended from November 30, 2016 to November 30, 2018. No other terms of this loan were changed.