TRI-RIVER VENTURES INC.

Interim Consolidated Financial Statements

September 30, 2016

Expressed in Canadian Dollars

NOTICE OF NO AUDITOR REVIEW OF

INTERIM FINANCIAL STATEMENTS

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

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

The Company's independent auditor has not performed a review of these 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 auditor.

TRI-RIVER VENTURES INC.
Consolidated statements of financial position
(Expressed in Canadian dollars)

	Notes	September 30, 2016	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents	4	$ 1,259,280	$ 1,383,422
Sales tax receivable		3,861	5,236
Receivable	6	-	-
Prepaids		-	-
		1,263,141	1,388,658
Non-current assets			
Advance	2, 6	-	1
Equipment	5	-	3,205
Exploration and evaluation assets	6	-	900,298
		-	903,504
TOTAL ASSETS		**$ 1,263,141**	**$ 2,292,162**
LIABILITIES			
Current liabilities			
Accrued liabilities		$ -	$ 14,128
Due to related parties	8	-	2,522
TOTAL LIABILITIES		**-**	**16,650**
SHAREHOLDERS' EQUITY			
Share capital	7	11,392,335	15,710,584
Share-based payment reserve	7	164,339	164,339
Deficit		(10,293,533)	(13,431,216)
		1,263,141	2,443,707
Non-controlling interest	12	-	(168,195)
TOTAL EQUITY		**1,263,141**	**2,275,512**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 1,263,141**	**$ 2,292,162**

Nature of Business and Continuance of Operations (Note 1)

TRI-RIVER VENTURES INC.
Consolidated statements of comprehensive income (loss)
(Expressed in Canadian dollars)

	Notes	Three Month Periods Ended		Nine Month Periods Ended	
		September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Expenses					
Amortization	5	$ -	$ 343	480	$ 1,029
Consulting	8	9,930	3,000	15,930	15,930
Foreign exchange loss	6	-	(224)	(147)	(979)
Management fees	8	12,000	24,000	36,660	72,000
Office and miscellaneous		3,099	4,274	13,871	18,274
Professional fees	8	7,880	1,500	16,033	2,250
Salaries and wages		2,187	4,122	13,175	12,322
Travel		3,624	6,557	15,865	23,891
		(38,720)	(43,572)	(111,867)	(144,717)
Other items					
Interest income		2,474	1,885	2,503	7,199
		2,474	1,885	2,503	7,199
Income (loss) before non-controlling interest		(36,246)	(41,687)	(109,364)	(137,518)
Non-controlling interest	11	-	118	392	514
Net and comprehensive income (loss)		**$ (36,246)**	**$ (41,569)**	**$ (108,972)**	**$ (137,004)**
Earnings (loss) per share – basic and diluted		**$ 0.00**	**$ 0.00**	**$ 0.00**	**$ 0.00**
Weighted average number of common shares outstanding – basic and diluted		**31,782,388**	**32,695,431**	**32,695,431**	**32,695,431**

TRI-RIVER VENTURES INC.
Consolidated statement of changes in equity
(Expressed in Canadian dollars)

	Share capital									
	Number of shares	Amount		Share-based payment reserve		Non-controlling interest		Deficit		Total
Balance at December 31, 2013	**32,695,431**	**$ 15,710,584**	**$**	**164,339**	**$**	**(105,412)**	**$**	**(7,194,142)**	**$**	**8,575,369**
Non-controlling interest	-	-		-		(61,928)		-		(1,594)
Comprehensive loss	-	-		-				(440,963)		(440,963)
Balance at December 31, 2014	**32,695,431**	**$ 15,710,584**	**$**	**164,339**	**$**	**(167,340)**	**$**	**(7,635,105)**	**$**	**8,072,478**
Non-controlling interest	-	-		-		(855)		-		(855)
Comprehensive income	-	-		-				(5,796,111)		(5,796,111)
Balance at December 31, 2015	**32,695,431**	**$ 15,710,584**	**$**	**164,339**	**$**	**(168,195)**	**$**	**(13,431,216)**	**$**	**2,275,512**
Non-controlling interest						168,195				168,195
Comprehensive income								(108,972)		(108,972)
Disposition of Red Sun	**-6,000,000**	(4,318,249)						3,246,655		(1,071,594)
Balance at September 30, 2016	**26,695,431**	**$ 11,392,335**	**$**	**164,339**		**-**		**(10,293,533)**	**$**	**1,263,141**

TRI-RIVER VENTURES INC.
Consolidated statements of cash flows
(Expressed in Canadian dollars)

	Three Month Periods ended		Nine Month Periods ended	
	September 30, 2016	**September 30, 2015**	**September 30, 2016**	**September 30, 2015**
Operating activities				
Income (loss) for the year	$ (36,246)	$ (41,569)	$ (108,972)	$ (137,004)
Adjustments for:				
Amortization	-	344	480	1,030
Foreign Exchange gain	-	(224)	(146)	(978)
Non-controlling interest	-	(118)	(393)	(514)
Changes in non-cash working capital items:				
Receivable	(1,566)	(1,351)	1,375	34,984
Prepaids	-	-	-	6,690
Accrued liabilities	-	319	(9,968)	(10,783)
Due to Related Parties	-	-	-	-
Net cash flows used in operating activities	(37,812)	(42,599)	(117,624)	(106,575)
Investing activities				
Expenditures on exploration and evaluation assets	-	-	(5,416)	(6,070)
Advance and deposit on acquisition	-	-	-	-
Interest income	-	-	-	-
Disposition of subsidiary	(1,102)		(1,102)	
Net cash flows used in investing activities	(1,102)	-	(6,518)	(6,070)
Increase (Decrease) in cash and cash equivalents	(36,710)	(42,599)	(124,142)	(112,645)
Cash and cash equivalents, beginning	1,298,194	1,473,530	1,383,422	1,543,576
Cash and cash equivalents, ending	**$ 1,259,280**	**$ 1,430,931**	**$ 1,259,278**	**$ 1,430,931**

1. Nature and continuance of operations

Tri-River Ventures Inc. (the "Company") was incorporated on March 9, 1992, under the laws of the province of Alberta, Canada, was continued under the laws of British Columbia ("BC"), Canada on July 12, 2005. The Company's principal activity is the acquisition and exploration of exploration and evaluation assets. The Company's shares are traded on the NEX Board of the TSX Venture Exchange ("TSX-V") under the symbol "TVR.H".

The head office and principal address of the Company are located at Suite 2300, 1066 West Hastings Street, Vancouver, BC, Canada. The records office of the Company is located at 2110 28th Street, West Vancouver, BC. The Company's registered address is at 3993 Michener Court, North Vancouver, BC.

These consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at September 30, 2016 the Company is currently seeking investment and business opportunities.

2. Significant accounting policies and basis of preparation

The interim consolidated financial statements were authorized for issue on November 28, 2016 by the directors of the Company.

Statement of compliance and conversion to International Financial Reporting Standards

The consolidated financial statements of the Company comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of preparation

The consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, modified where applicable. The consolidated financial statements are presented in Canadian dollars unless otherwise noted.

Earnings (Loss) per share

Basic earnings (loss) per share is calculated by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding in the period. Diluted earnings (loss) per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings (loss) per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period.

2. Significant accounting policies and basis of preparation (continued)

Significant estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of income and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation relate to the recoverability of advances, determination of the useful lives of equipment, amount and collectability of interest income on advances made, the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for restoration and environmental liabilities, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Significant judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements include:

- The assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; and
- the determination of the functional currency of the parent company and its subsidiaries.

Consolidation

The consolidated financial statements include the accounts of the Company and its controlled entities. Details of controlled entities are as follows:

		Percentage owned*	
	Country of incorporation	**September 30, 2016**	**December 31, 2015**
Red Sun Group Holdings Limited ("Red Sun")	British Virgin Islands	Nil	100%
Sichuan Longbao Mining Corp. ("Longbao")	China	Nil	95%

*Percentage of voting power is in proportion to ownership.

Inter-company balances and transactions are eliminated on consolidation.

2. Significant accounting policies and basis of preparation (continued)

Share-based payments

The Company operates a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share-based payment reserve. The fair value of options is determined using the Black–Scholes Option Pricing Model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Foreign currency translation

The functional currency of each entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars which is the parent company's functional and presentation currency. The subsidiaries' functional currency is also the Canadian dollar.

Transactions and balances:

Foreign currency transactions are translated into 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.

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 comprehensive income (loss) in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognized in other comprehensive income (loss) in the statement of comprehensive income (loss) to the extent that gains and losses arising on those non-monetary items are also recognized in other comprehensive income (loss). Where the non-monetary gain or loss is recognized in profit or loss, the exchange component is also recognized in profit or loss.

Foreign operations:

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income (loss) and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the period in which the operation is disposed.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2. Significant accounting policies and basis of preparation (continued)

Exploration and evaluation expenditures

Exploration and evaluation expenditures include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Government tax credits received are recorded as a reduction to the cumulative costs incurred and capitalized on the related property.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Impairment of assets

The carrying amount of the Company's assets (which include equipment and exploration and evaluation assets) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income (loss).

The recoverable amount of assets is the greater of an asset's fair value less cost 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 the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

2. Significant accounting policies and basis of preparation (continued)

Financial instruments (continued)

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost. Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. These are included in current assets. Unrealized gains and losses are recognized in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary financial assets.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen.

The Company does not have any derivative financial assets and liabilities.

Income taxes

<u>Current income tax:</u>

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Significant accounting policies and basis of preparation (continued)

Income taxes (continued)

Deferred income tax:

Deferred income tax is provided using the assets and liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income (loss) during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation and amortization are calculated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The depreciation and amortization rates applicable to each category of equipment are as follows:

Class of Equipment	Depreciation rate
Motor vehicles	30% declining balance
Office equipment and furniture	20% declining balance
Mining equipment	20% declining balance

Restoration and environmental obligations

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of long-term assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future restoration cost estimates arising from the decommissioning of plant and other site preparation work is capitalized to exploration and evaluation assets along with a corresponding increase in the restoration provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The restoration asset will be depreciated on the same basis as other mining assets.

(Expressed in Canadian Dollars)

2. Significant accounting policies and basis of preparation (continued)

Restoration and environmental obligations (continued)

The Company's estimates of restoration costs could change as a result of changes in regulatory requirements. These changes are recorded directly to mining assets with a corresponding entry to the restoration provision. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, 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 profit or loss for the period.

The net present value of restoration costs arising from subsequent site damage that is incurred on an ongoing basis during production are charged to profit or loss in the period incurred.

The costs of restoration projects that were included in the provision are recorded against the provision as incurred. The costs to prevent and control environmental impacts at specific properties are capitalized in accordance with the Company's accounting policy for exploration and evaluation assets.

3. Accounting standards issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2016 or later periods.

The following new standards have not been early adopted in these financial statements, is not expected to have a material effect on the Company's future results and financial position:

IFRS 9 Financial Instruments

This new standard is a partial replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's consolidated financial statements.

4. Cash and cash equivalents

The components of cash and cash equivalents are as follows:

		September 30, 2016		**December 31, 2015**
Cash at bank	$	64,920	$	1,383,422
Guaranteed investment certificates		1,194,360		-
	$	1,259,280	$	1,383,422

5. Equipment.

On September 16th, The Company announces that it has closed the agreement dated March 23, 2016 and sold its wholly owned subsidiary Red Sun Group Holdings Ltd. Currently, The Company does not own any equipment.

6. Exploration and evaluation assets/held for sale

Lianlong Property, Sichuan, China

On September 16th, The Company announces that it closed the agreement dated March 23, 2016 and sold its wholly owned subsidiary Red Sun Group Holdings Ltd. (“Red Sun”) to a group of Chinese resident purchasers (collectively, the “Purchasers”) in exchange for the return by the Purchaser and cancellation of six million (6,000,000) shares of the Issuer. Red Sun owns a 95% equity interest in Longbao Mining Co. which holds the exploration permit to the Lianlong property in the Changtai District of Baiyu County, Sichuan Province, China. In 2008, the Purchasers sold the Lianlong property to the issuer in exchange for 6 million issuer shares.

Potash Property, Saskatchewan, Canada

On March 22, 2011, the Company entered into a Share Exchange Agreement (“Share Exchange Agreement”) with Strong Rising International Limited (“Strong Rising”) to acquire Strong Rising’s wholly owned subsidiary, Taiji Resources Ltd. (“Taiji”), a private company incorporated in the province of Saskatchewan. Taiji owns potash properties (the “Properties”) in Saskatchewan. The Company agreed to acquire all of the 10,000,000 issued and outstanding shares of Taiji in exchange for 11,360,000 shares of the Company.

The closing of the Share Exchange Agreement is subject to several conditions including obtaining the approvals from shareholders and the TSX-V, completion of a National Instrument 43-101 technical report on Taiji’s potash properties, completion of an audit of Taiji’s financial statements for its most recent fiscal year, sufficient evidence of value and completion of due diligence satisfactory to Company management. At December 31, 2015, the Share Exchange Agreement has not closed. According to the Share Exchange Agreement, the transaction may be terminated by either Strong Rising or the Company if the acquisition did not close by December 31, 2012. At December 31, 2015, neither party has terminated the Share Exchange Agreement. The Share Exchange Agreement is therefore still in force.

During the year ended December 31, 2011, the Company advanced $156,545 as a loan to Taiji for operating expenses. The loan carrying an interest of 5% per annum is covered by a Loan Agreement among the Company, Taiji and Strong Rising. According to the Loan Agreement, if the Vendor terminates the Share Exchange Agreement, the Vendor must repay the Loan Amount plus accrued interest to the Company in full. If the Properties are optioned or sold to a third party, the proceeds from any such transaction will firstly be applied to full repayment of the loan.

In view of the prolonged depressed potash market, the Company has decided not to pursue the Taiji project and has initiated negotiation with Strong Rising to terminate the acquisition agreement.

Lenghu Potash, Qinghai, China

On March 31, 2011, the Company entered into a Purchase Agreement (“Purchase Agreement”) with Sino Spirit Capital Investment Holding Limited (“Sino Investment”) to acquire Sino Investment’s 100% equity interest in Sino Spirit Group Limited (“Sino Group”) which owns a 60% equity interest in Qinghai Lenghu Kunhu Potash Company Ltd. (“Lenghu Potash”). Lenghu Potash owns a mining permit in Qinghai Province of the People’s Republic of China.

Consideration consists of cash payments of RMB 78,000,000 (approximately $14,580,000) in three installments and share issuances having an aggregate value of up to RMB30 million (approximately $5,605,000).

The first refundable installment of $5,606,953 (RMB30,000,000) was made during the year ended December 31, 2011. The conditions to closing the transaction include approvals from the shareholders, the TSX-V, audited financial statements, a National Instrument 43-101 technical report on the property, and a business plan. As at December 31, 2015, a foreign exchange gain of $Nil (2014 - $335,935) was recorded upon conversion of the first refundable advance at the year end foreign exchange rate.

On April 20, 2012, the Purchase Agreement was amended to include the following: payment of the second instalment of RMB30,000,000 was conditional on the Company completing a financing sufficient to be able to pay such second instalment; extension of the due date of the second installment until the later of the closing of such financing and the date that a definitive acquisition agreement is signed; and a profit sharing arrangement between the Company and Lenghu Potash as follows: in consideration of the use of the first refundable installment, Lenghu Potash agreed to pay the greater of 16.67% of its net profits or RMB3,334,000 to the Company starting from Lenghu Potash's year ended December 31, 2011 and for each subsequent year until the date that a definitive agreement is signed and a financing to pay the second instalment has been completed by the Company. The advance is unsecured and is refundable to the Company on demand.

During the year ended December 31, 2013, the Company received a profit share payment of $541,779 from Lenghu Potash for the year ended December 31, 2011. During the year ended December 31, 2014, the Company received a profit share payment of $583,592 from Lenghu Potash for the year ended December 31, 2012.

Due to a continued deteriorating potash market since 2013, Lenghu Potash suspended its production and no profit share payment has been paid for the three year periods from 2013 to 2015. Due to the uncertainty of collection, no receivable was recognized.

Subsequent to December 31, 2015, the Company demanded repayment of the advance. Lenghu Potash was not able to make the repayment due mainly to the deterioration of potash market since 2013. Consequently, the Company impaired the $5,606,952 (RMB30,000,000) advance during the year ended December 31, 2015. The Company continues to follow up with Sino Investment's management and endeavors to have the advance and accrued interest repaid.

7. Share capital

Authorized share capital

Unlimited number of common shares without par value.
Unlimited number of preferred shares without par value.

Issued share capital

At September 30, 2016 there were 26,695,431 issued and fully paid common shares (2015 –32,695,431).

Escrow shares

At September 30, 2016, there were 2,400,000 shares held in escrow (2015 – 4,200,000).

(Expressed in Canadian Dollars)

7. Share capital (continued)

Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the Company's issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. In connection with the foregoing, the number of common shares reserved for issuance to any one optionee will not exceed ten percent of the issued and outstanding common shares. Options granted typically vested immediately unless the Board of Directors determines otherwise.

The changes in options during the period ended September 30, 2016 and December 31, 2015 are as follows:

	September 30, 2016		December 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Options outstanding, beginning	-	$ -	880,000	$ 0.40
Options granted	-	-	-	-
Options expired	-	-	(880,000)-	
Options outstanding and exercisable, ending	-	$ -	-	$ 0.40

Share purchase warrants

At September 30, 2016, there are no share purchase warrants outstanding.

Share-based payment reserve

The share-based payment reserve records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

8. Related party transactions

The Company incurred the following transactions with companies that are controlled by directors and officers of the Company.

	Period ended	
	September 30, 2016	September 30, 2015
Professional fees	$ -	$ -
Management fees	12,000	24,000
Consulting fees	3,000	3,000
	$ 15,000	$ 27,000

9. Financial risk and capital management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counter party limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents held in bank accounts and advance receivable. The majority of cash and cash equivalent is deposited in bank accounts held with major banks in Canada and China. As most of the Company's cash is held by two banks there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial institutions as determined by rating agencies. The Company has no security for the advance receivable. In order to manage the risk, the Company performs on-going credit and collection review and will establish an allowance when the advance receivable is determined to be uncollectable.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents as these instruments have original maturities of three months or less and are therefore exposed to interest rate fluctuations on renewal.

Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Company consists of share capital and working capital. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

Classification of financial instruments

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
Level 3 – Inputs that are not based on observable market data.

The Company's cash and cash equivalents are classified as level 1.

(Expressed in Canadian Dollars)

9. Financial risk and capital management (continued)

Classification of financial instruments (continued)

Financial assets included in the statement of financial position are as follows:

		September 30, 2016		December 31, 2015
Cash and cash equivalents	$	1,259,280	$	1,383,422
Advance		-		1
	$	1,259,280	$	1,383,423

Financial liabilities included in the statement of financial position are as follows:

	September 30, 2016	December 31, 2015
Due to related parties	$ -	$ 2,522

Fair value

The fair value of the Company's financial assets and liabilities approximates their carrying amount.