# **APPIA ENERGY CORP.**

# FINANCIAL STATEMENTS

For the years ended September 30, 2016 and 2015 (Expressed in Canadian \$)

#### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements have been prepared by and are the responsibility of the management of Appia Energy Corp. (the "Company"). The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and reflect management's best estimates and judgments based on currently available information. The Company has developed and maintains a system of internal controls in order to ensure, on a reasonable and cost effective basis, the reliability of the financial information.

The Board of Directors is responsible for ensuring that management fulfills its responsibility and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The financial statements have been audited by Wasserman Ramsay, an independent firm of chartered accountants. Their report outlines the scope of their examination and opinion on the financial statements.

(signed) "Tom Drivas" Chief Executive Officer (signed) "Frank van de Water" Chief Financial Officer

December 14, 2016



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**Chartered Accountants** 

#### INDEPENDENT AUDITORS' REPORT

# To the Shareholders of Appia Energy Corp.:

We have audited the accompanying financial statements of Appia Energy Corp., which comprise the statements of financial position as at September 30, 2016 and 2015 and the statements of changes in equity, loss and comprehensive loss and cash flows for the years 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 auditor's 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 is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Appia Energy Corp. and its subsidiary as at September 30, 2016 and 2015 and the results of its changes in equity, operations, and cash flows for the years 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 matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Markham, Ontario December 14, 2016 Chartered Accountants
Licensed Public Accountants

Wasserman Vamsay

# APPIA ENERGY CORP.

# Statements of Financial Position (Expressed in Cdn \$)

As at	September 30	September 30
	2016	2015
See Change in Accounting Policy Note 3	\$	\$
Assets		
Current		
Cash and cash equivalents (note 5)	661,751	661,087
Accounts receivable	5,280	1,657
Prepaid expenses	192,841	6,589
Total current assets	859,872	669,333
Exploration and evaluation assets (note 6)		
Acquisition cost	813,036	781,480
Total assets	1,672,908	1,450,813
11-1-1-1-1-1		
<b>Liabilities</b> Current		
Accounts payable & accruals	15,183	21,502
Due to related parties (note 10)	617,690	534,964
Total liabilities	632,873	556,466
Nature of operations and going concern (note 1)	,	,
Shareholders' equity		
Share capital (note 7(a))	8,150,029	7,835,123
Warrants (note 7(c))	107,688	
Contributed surplus (note 8)	2,446,703	2,413,538
Deficit	(9,664,385)	(9,354,314)
Total shareholders' equity	1,040,035	894,347
Total liabilities and shareholders' equity	1,672,908	1,450,813

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

APPROVED ON BEHALF OF THE BOARD ON DECEMBER 14th, 2016

"Signed" "Signed"

Anastasios (Tom) Drivas Frank van de Water

# APPIA ENERGY CORP. Statements of Changes in Equity (Expressed in Cdn \$)

See Change in Accounting Policy Note 3	Share Capital \$	Warrants \$	Contributed Surplus \$	Deficit \$	Total \$_
At September 30, 2014	7,835,123	-	2,404,433	(9,123,773)	1,115,783
Share-based compensation Net loss and comprehensive loss	-	-	9,105	-	9,105
for the period	-	-	-	(230,541)	(230,541)
At September 30, 2015	7,835,123	-	2,413,538	(9,354,314)	894,347
Working Capital Units private					
placement, net	314,906	-	-	-	314,906
Warrants issued	-	104,295	-	-	104,295
Valuation of broker warrants	-	3,393	-	-	3,393
Share-based compensation	-	-	33,165	-	33,165
Net loss and comprehensive loss					
for the period	-	_		(310,071)	(310,071)
At September 30, 2016	8,150,029	107,688	2,446,703	(9,664,385)	1,040,035

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

# APPIA ENERGY CORP. Statements of Loss and Comprehensive Loss (Expressed in Cdn \$)

(Expressed in Odin y)	For the years anded		
	For the years ended		
	September 30		
	2016	2015	
See Change in Accounting Policy Note 3	\$	\$	
Expenses			
Operating activities			
Exploration Expenses	84,099	44,568	
Less: provincial refunds	(21,209)	-	
Net Exploration Expenses	(62,890)	(44,568)	
General and administrative activities:			
Professional fees	31,141	33,382	
Management fees and salaries	107,438	106,900	
Office and general	33,287	26,254	
Investor relations	46,341	18,080	
Share-based compensation	33,165	9,105	
General and administrative expenses	(251,372)	(193,721)	
Loss for the year before the following	(314,262)	(238,289)	
Interest income	4,191	7,748	
Net loss and comprehensive loss for the year	(310,071)	(230,541)	
Basic and diluted loss per share	0.01	0.01	
Weighted average number of shares outstanding	41,967,448	41,616,078	

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

# APPIA ENERGY CORP. Statements of Cash Flows (Expressed in Cdn \$)

	For the years ended September 30	
	2016	2015
See Change in Accounting Policy Note 3	\$	\$
Operating activities		
Net loss for the year	(310,071)	(230,541)
Items not affecting cash:	(0.10,01.1)	(=00,011)
Share-based compensation	33,165	9,105
·	(276,906)	(221,436)
Net change in non-cash working capital		
Accounts receivable	(3,623)	181
Prepaid expenses	(186,252)	7,253
Accounts payable and accrued liabilities	(6,319)	(3,090)
Due to related parties	82,726	74,500
Net cash used in operating activities	(390,374)	(142,592)
Investing activities		
Exploration and evaluation assets acquisition cost	(31,556)	(10,591)
Net cash used in investing activities	(31,556)	(10,591)
Financing activities		
Private placement of working capital units	428,000	-
Share issue expense	(5,406)	-
Net cash from financing activities	422,594	-
Change in cash and cash equivalents	664	(153,183)
Cash and cash equivalents, beginning of year	661,087	814,270
Cash and cash equivalents, end of year	661,751	661,087

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

#### APPIA ENERGY CORP.

Notes to Financial Statements
September 30, 2016
(expressed in Canadian dollars unless otherwise stated)

#### 1. Nature of operations and going concern

Appia Energy Corp. ("Appia" or "the Company") is incorporated under the Canada Business Corporations Act and is listed on the Canadian Securities Exchange (CSE: "API"). The Company is evaluating its mineral resource properties in Ontario and Saskatchewan to determine whether the properties contain resources that are economically recoverable. The registered office and location of corporate records is Suite 500, 2 Toronto Street, Toronto, Ontario.

These financial statements ("Financial Statements") have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at September 30, 2016 the Company had no sources of operating cash flows. The Company will therefore require additional funding which, if not raised, would result in the curtailment of activities and project delays. The Company had a working capital of \$226,999 as at September 30, 2016, after providing for \$617,690 due to related parties, and has incurred losses since inception, including expenditures of \$5,589,775 for exploration and evaluation of its mineral properties, resulting in an accumulated deficit of \$9,664,385 as at September 30, 2016. The Company's ability to continue as a going concern is uncertain and is dependent upon its ability to continue to raise adequate financing. There can be no assurance that the Company will be successful in this regard, and therefore, there is doubt regarding the Company's ability to continue as a going concern and the use of accounting principles applicable to a going concern. These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption is not appropriate for these financial statements, then adjustments to the carrying values of the assets and liabilities, the expenses and the balance sheet classifications, which could be material, would be necessary.

The recoverability of the carrying cost of its resource properties is dependent upon the existence of resources that are economically recoverable, confirmation of the Company's ownership interests in the claims, the ability of the Company to obtain necessary financing to complete the exploration and the development of the properties, and upon future profitable production, or proceeds from the disposition of the properties.

#### 2. Basis of preparation and statement of compliance

The Statements of the Company as at and for the year ended September 30, 2016 have been prepared in accordance 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") in effect as of September 30, 2016.

#### 3. Voluntary Change in Accounting Policy

During the year ended September 30, 2015, the Company voluntarily changed its accounting policy for exploration and evaluation expenditures. Previously, the Company capitalized acquisition costs and deferred exploration and evaluation expenditures on mineral properties to the specific mineral properties, net of any recoveries received.

Under the new policy, only the original acquisition costs of exploration and evaluation properties are capitalized and net expenditures incurred prior to the establishment of a positive technical feasibility and commercial report on the viability of extracting mineral resources, and a decision to proceed with mine development, are charged to operations as incurred.

In accordance with the requirements of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, the Company has retrospectively applied this change in accounting policy.

Management considers this accounting policy provides more reliable and relevant information and more clearly presents the Company's results and financial position.

The financial statement impact as at September 30, 2015 is as follows:

	Under previous		
	accounting	Effect of	
Statements of Financial Position	policy	change	As reported
	\$	\$	\$
Deferred exploration expenditures	5,526,885	(5,526,885)	-
Total non-current assets	6,308,365	(5,526,885)	781,480
Total assets	6,977,698	(5,526,885)	1,450,813
Deferred income tax	520,533	(520,533)	-
Total Liabilities	1,076,998	(520,533)	556,465
Deficit	(4,347,962)	(5,006,352)	(9,354,314)
Total shareholders' equity	5,900,700	(5,006,352)	894,348
Total liabilities and shareholders' equity	6,977,698	(5,526,885)	1,450,813
Loss	\$	\$	\$
Exploration and evaluation expenditures	- Ψ	(44,568)	(44,568)
Net loss and comprehensive loss for the year	(185,973)	(44,568)	(230,541)
Basic and diluted loss per year	(0.00)	(0.00)	(0.01)
Statements of Cash Flows			
Statements of Cash Flows	\$	\$	\$
Net loss for the year	(185,973)	(44,568)	(230,541)
Cash flows used in operating activities	(98,023)	(44,568)	(142,591)
Deferred exploration expenditures incurred	(44,568)	`44,568	-
Cash flows used in investing activities	(55,160)	44,568	(10,592)

#### 4. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the Statements.

#### **Presentation Currency**

The Company's presentation currency and functional currency is the Canadian dollar ("\$").

# **Significant Accounting Judgments and Estimates**

The preparation of financial statements requires management to make estimates, judgments and assumptions that affect the amounts reported in the Statements and notes. By their nature, these estimates, judgments and assumptions are subject to measurement uncertainty and the effect on the Statements of changes in such estimates in future periods could be material. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The more significant estimates and judgments are as follows:

#### Critical accounting estimates

The amounts recorded for share-based compensation transactions are based on estimates. The Black-Scholes model is based on subjective estimates of assumptions for expected volatility, expected number of options to vest, dividend rate, risk-free interest rate and expected life of the options.

The recoverability of amounts shown for exploration and evaluation assets is dependent on the discovery of economical reserves, the ability of the Company to obtain financing to complete development of the properties and on future production or proceeds of disposition.

Management's opinion that there is no material restoration, rehabilitation and environmental obligation, is based on the existing facts and circumstances.

Deferred income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the statement of financial position and their corresponding tax values. Deferred income tax assets also result from unused loss carry-forwards and other deductions. The valuation of deferred income tax assets is adjusted to reflect the uncertainty of realization through profitable operations.

#### Critical accounting judgments

The following accounting policies involve judgments or assessments made by management:

- The determination of categories of financial assets and financial liabilities;
- The determination of a cash-generating unit for assessing and testing impairment; and
- The determination of when an exploration and evaluation asset moves from the exploration stage to the development stage.

#### **Financial Instruments**

#### Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of earnings in the period of determination.

Fair value through profit or loss - This category includes derivatives, and investments acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of comprehensive income (loss). Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale ("AFS"). They are carried at fair value with changes in fair value recognized directly in other comprehensive earnings. Where a decline in the fair value of an AFS financial asset constitutes

objective evidence of impairment, the amount of the loss is removed from other comprehensive earnings and recognized in the statement of comprehensive income (loss).

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets are impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

#### Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the balance sheet at fair value with changes in fair value recognized in the statement of earnings.

Other financial liabilities - This category includes accounts payables and accrued liabilities, all of which are recognized at amortized cost.

#### Fair value hierarchy:

The Company classifies financial instruments recognized at fair value in accordance with a fair value hierarchy that prioritizes the inputs to the valuation technique used to measure fair value as per IFRS 7. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities:

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company has valued all of its financial instruments using Level 1 measurements.

#### Impairment of financial assets:

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period.

Financial assets are assessed for indicators of impairment at the end of each reporting period.

Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

· significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial assets, such as amounts receivable, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. 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 profit or loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

#### **Cash and Cash Equivalents**

Cash and cash equivalents comprises of cash, Canadian Chartered Bank demand deposits and money market funds.

#### **Foreign Currency Translation**

In preparing the financial statements, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period-end exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction.

All gains and losses on translation of these foreign currency transactions are included in the statement of loss and comprehensive loss.

#### **Exploration and Evaluation Assets**

Exploration and evaluation assets include the costs of acquiring licenses, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination.

Expenditures incurred exploring and evaluating mineral properties are charged to the statement of loss as incurred. Costs incurred before the Company has obtained the legal rights to explore an area are also expensed.

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, which management has determined to be indicated by a feasibility study, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets.

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.

It is management's judgment that none of the Company's exploration and evaluation assets have reached the development stage and as a result are all considered to be exploration and evaluation assets.

#### **Share-based Compensation**

The Company grants stock options to buy common shares of the Company to directors, officers, employees and services providers. The board of directors generally grants such options for periods of up to five years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of share purchase options granted is recognized as an expense or charged to exploration and evaluation assets as appropriate, with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value for share purchase options granted to employees or those providing services similar to those provided by a direct employee is measured at the grant date and each tranche is recognized using the accelerated method basis over the period during which the share purchase options vest. The fair value of the share purchase options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

The fair value for share purchase options granted to non-employees for services provided is measured at the date the services are received. The fair value of the share purchase options granted is measured at the fair value of the services received, unless the fair value of services received cannot be estimated reliably, in which case the fair value of the share purchase options is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the share purchase options were granted.

At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share purchase options that are expected to vest.

#### **Income Taxes**

Income tax on the profit or loss consists of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

The following temporary differences do not result in deferred tax assets or liabilities:

• the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;

- goodwill not deductible for tax purposes; and
- investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied.

#### Restoration, Rehabilitation and Environmental Obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of an interest in an exploration and evaluation asset. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

#### **Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance expense ("notional interest").

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic benefits will be required, the provision is reversed. The Company presently does not have any amounts considered to be provisions.

#### Flow-through shares

The Company will, from time to time, issue flow-through common shares to finance a portion of its exploration program. Pursuant to the terms of the flow-through share subscription agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenses being incurred, the Company recognizes a deferred tax liability for the amount of tax reduction renounced to the shareholders and the premium liability is reversed. The reversal of the premium liability and the deferred tax liability are recognized as tax recoveries to the extent that suitable deferred tax assets are available.

#### Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding during the year. Since the Company is in a loss position, the effects of exercising share purchase options and warrants are anti-dilutive.

#### **Impairment**

Exploration and evaluation assets are reviewed on a quarterly basis and when changes in circumstances suggest their carrying value may become impaired. Management considers exploration and evaluation assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows from the use of the property and its related assets and their eventual disposition. If impairment is deemed to exist, the property and its related assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis. Management determined that there was no impairment of carrying value on its properties in the current period.

#### Accounting pronouncements issued but not yet adopted

At the date of authorization of these consolidated financial statements for the period ended June 30, 2016, the following standards which are applicable to the Corporation were issued but not yet effective.

#### IFRS 9, Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments – to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation has not yet adopted this standard and is in the process of determining the impact of this standard.

#### 5. Cash and cash equivalents

Cash and cash equivalents comprises cash and investments in Canadian Chartered Bank demand money market funds.

#### 6. Exploration and evaluation assets

#### **Acquisition costs**

	Ontario Elliot Lake \$	Saskatchewan \$	Total
Balance, September 30, 2014	597,593	173,296	770,889
Total additions for the period	5,000	5,591	10,591
Balance, September 30, 2015	602,593	178,887	781,480
Total additions for the period	-	31,556	31,556
Balance, September 30, 2016	602,593	210,443	813,036

#### Ontario, Elliot Lake

On November 1, 2007, the Company acquired a 100% interest in 61 mining claims known as the Elliot Lake property located in Beange, Bolger, Bouck, Buckles, Gunterman and Joubin Townships, Sault Ste. Marie Mining Division in the Province of Ontario from Canada Enerco Corp. ("CEC"), a company controlled by the President, CEO and Director of the Company. CEC retains the right to a 1% Uranium Production Payment Royalty and a 1% Net Smelter Returns Royalty on any precious or base metals payable, provided that the price of uranium is greater than US\$130 per pound.

Appia holds over 13,008 hectares (32,143 acres) encompassing five mineralized zones in the Elliot Lake area of northern Ontario. The zones are called Teasdale, Banana Lake, Canuc, Bouck Lake and Buckles Lake. Since the inception of mining, the Elliot Lake area has produced over 300 M lbs of  $U_3O_8$  and is the only mining camp in Canada with significant historical commercial REE production.

#### Saskatchewan, Athabasca Basin

Beginning in fiscal 2011, the Company participated in staking properties in Saskatchewan.

In March 2016, the Company acquired by staking, a total of 46,623 hectares (115,208 acres) in the Athabasca Basin area in Saskatchewan.

In August 2016, Appia acquired an additional 5,970 hectares (14,752 acres) contiguous to the "Loranger" property in the Athabasca Basin, Saskatchewan, covering a 20 km aeromagnetic and electromagnetic trend to the southwest of the property.

At September 30, 2016 the Company held a total of 89,929 hectares (222,218 acres) in Saskatchewan, including a 100% interest in 88,411 hectares (218,467 acres) as well as a 90% interest in 1,518 hectares (3,751 acres).

Amounts expended to date for exploration and evaluation activities for each area are summarized below. These amounts have been charged to the statement of loss and comprehensive loss.

	Ontario	Saskatchewan	
	Elliot Lake	\$	Total
	\$		\$
Balance, September 30, 2014	5,315,688	166,629	5,482,317
Total additions for the period	24,126	20,442	44,568
Balance, September 30, 2015	5,339,814	187,071	5,526,885
Total additions for the period	10,540	73,559	84,099
Saskatchewan refund	-	(21,209)	(21,209)
Balance, September 30, 2016	5,350,354	239,421	5,589,775

#### 7. Share capital

#### (a) Common shares

The Company is authorized to issue an unlimited number of no par value common shares. The following table provides the details of changes in the number of issued common shares

	Number #	Amount \$
Balance, September 30, 2015 and September 2014	41,616,078	7,835,123
Working Capital Units private placement June 27, 2016	1,315,000	263,000
Working Capital Units private placement September 8, 2016	75,000	15,000
Flow - through Units private placement September 8, 2016	750,000	150,000
Broker compensation shares issued	35,000	(3,393)
Less: Value associated with warrants issued	-	(104,295)
Share issue costs	-	(5,406)
Balance, September 30, 2016	43,791,078	8,150,029

On June 28, 2016, the Company completed a first tranche of a non-brokered private placement with the sale of 1,315,000 working capital units ("WC Units") at \$0.20 per WC Unit for gross proceeds of \$263,000. Each WC Unit consists of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of \$0.30 per WC Warrant Share until the earlier of: three years from closing date; and in the event that the closing price of the Common Shares on the Canadian Securities Exchange is at least \$0.50 for twenty consecutive trading days, and the 20<sup>th</sup> trading day is at least four months from the closing date, the date which is thirty days from the final trading day.

The Company paid a finder's fee of 35,000 common shares and 35 broker warrants. Each broker warrant entitles the holder to acquire one common share at \$0.20 until December 27, 2017.

On September 8, 2016, the Company completed a second tranche of a non-brokered private placement with the sale of 75,000 working capital units ("WC Units") at \$0.20 per WC Unit for gross proceeds of \$15,000 and 750,000 flow-through units ("FT Units) at a price of \$0.20 per FT Unit for proceeds of \$150,000.

Each WC Unit consists of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of \$0.30 per WC Warrant Share until the earlier of: three years from closing date; and in the event that the closing price of the Common Shares on the Canadian Securities Exchange is at least \$0.50 for twenty consecutive trading days, and the 20<sup>th</sup> trading day is at least four months from the closing date, the date which is thirty days from the final trading day.

Each FT Unit consists of one common share and one-half common share purchase warrant entitling the holder to purchase one common share at a price of \$0.35 per Warrant Share exercisable for a period of eighteen months following the closing date, subject to earlier expiry on the trigger date.

All securities issued pursuant to the above referenced private placements are subject to a statutory four months hold period.

#### (b) Common share purchase options

The Company has a stock option plan for the benefit of directors, officers and consultants. The total number of shares which may be reserved and set aside for issuance to eligible persons may not exceed 10% of the issued and outstanding common shares.

As at September 30, 2016, 2,100,000 common shares were reserved for the exercise of stock options granted under the Company's stock option plan (the "Plan").

The following table provides the details of changes in the number of issued common share purchase options during the period:

	Options #	Weighted-average exercise price \$
Outstanding at September 30, 2015 and September 30, 2014	2,600,000	1.25
Expired, unexercised	(1,400,000)	1.25
Granted	900,000	0.19
Outstanding and exercisable at September 30, 2016	2,100,000	0.80

In April 2016 the Company announced the appointment of a Director of Saskatchewan Operations and made a grant of 500,000 share purchase options exercisable at \$0.10 for a period of five years.

In August 2016 the Company engaged Palisade Global Investments Ltd as advisory consultants and made a grant of 300,000 share purchase options exercisable at \$0.30 for a period of 22 months.

In August 2016 the Company issued 100,000 options to a Consultant of the Company exercisable at \$0.30 for a period of five years.

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
400 000	400,000	4.0 months	¢1.25	Fobruary 1, 2017
400,000	400,000		\$1.25	February 1, 2017
400,000	400,000	18.3 months	\$1.25	April 9, 2018
400,000	400,000	29.8 months	\$1.25	March 25, 2019
500,000	250,000	54.5 months	\$0.10	April 14, 2021
300,000	300,000	21.0 months	\$0.30	June 30, 2018
100,000	50,000	58.7 months	\$0.30	August 22, 2021
2,100,000	1,800,000			

The weighted average fair value of all the options granted and outstanding is \$0.60 per option, each contract fair value having been estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free weighted-average interest rate of 0.65%-1.98%, expected dividend yield of nil, expected volatility of 84.97%-141% and expected life term is 60 months. Under this method of calculation, the Company has recorded \$33,165 as stock based compensation for the year ended September 30, 2016, being the fair value of the options vested during the period. Options that have been issued and remain outstanding vest half immediately on the date of grant and half in twelve months from the date of grant.

#### (c) Warrants

On certain issuances of common shares, the Company grants warrants entitling the holder to acquire additional common shares of the Company, and the Company grants warrants as consideration for services associated with the placement of such common share issues.

The following table provides the details of changes in the number of outstanding common share purchase warrants:

	Number	
	#	\$
Balance September 30, 2015	-	-
Private placement warrants issued	1,765,000	104,295
Brokers warrants issued	35,000	3,393
Balance September 30, 2016	1,800,000	107,688

Certain issuances of common shares include warrants entitling the holder to acquire additional common shares of the Company. A summary of the outstanding warrants is as follows:

	Number	Remaining	Exercise price	
	exercisable	contractual life	per share	Expiry date
Warrants	1,315,000	32.9 months	\$0.30	June 27, 2019
Warrants	35,000	14.9 months	\$0.20	December 27, 2017
Warrants	375,000	17.3 months	\$0.35	March 8, 2018
Warrants	75,000	35.3 months	\$0.30	September 8, 2019
Balance, September 30, 2016	1,800,000			

The number of common shares outstanding on September 30, 2016 was 43,791,078. Taking into account outstanding share purchase options and warrants, the fully diluted number of common shares and warrants that could have been outstanding on September 30, 2016 was 47,691,078.

#### 8. Contributed surplus

A summary of changes in contributed surplus is as follows:

	Amount
	\$
Balance, September 30, 2014	2,404,433
Share-based compensation	9,105
Balance, September 30, 2015	2,413,538
Share-based compensation	33,165
Balance, September 30, 2016	2,446,703

#### 9. Income taxes

The Company's effective income tax rate differs from the amount that would be computed by applying the combined Federal and Provincial statutory tax rate of 26.25% (2015 - 26.25%) to the net loss for the year for reasons noted below:

	September	September
	30	30
	2016	2015
	\$	\$
Income tax recovery based on statutory rate	81,400	60,500
Actual provision per financial statements	-	=
Non-deductible items for tax purposes	41,100	30,035
Items deductible for tax purposes	(715)	(1,435)
Valuation allowance	(40,385)	(28,600)
Net income tax recovery (expense)	-	-

The Company has incurred tax losses of \$ 1,217,000 (2015 - \$1,061,000) which may be used to reduce future taxable income. The potential benefit of these losses will expire in the fiscal years ended September 30, if unused, as follows:

	Amount
	\$
2028	98,000
2029	101,000
2030	136,000
2032	219,000
2033	220,000
2034	165,000
2035	122,000
2036	156,000
	1,217,000

In addition to the above losses the Company has available approximately cumulative exploration expenditures of \$1.0 million and cumulative development expenditures of \$595,000 which can be used to offset future taxable income.

The components of future income tax asset (liability) are as noted below:

	September 30	September 30
	2016	2015
	\$	\$
Non-capital losses	320,000	279,000
Exploration and evaluation assets and other	75,000	82,000
Valuation allowance	(395,000)	(361,000)
Net deferred income tax liability	-	-

#### 10. Related party transactions

During the year ended September 30, 2016, the Company incurred related party expenses of \$101,438 (2015 – \$101,400). These expenses related to management fees paid or payable to key management personnel; Tom Drivas, Chief Executive Officer, Frank van de Water, Secretary and Chief Financial Officer, Michael D'Amico, Chief Financial Officer until December 31, 2015, and office administration services paid to Romios Gold Resources Inc., a company with a number of common directors and officers. The amount charged for office administration services is included under office and general expenses.

Key management personnel were not paid post-retirement benefits, termination benefits, or other long-term benefits during the year ended September 30, 2016 and 2015.

Share-based compensation to key management and directors for the year ended September 30, 2016 was \$ 1,207 (2015 - \$9,105) respectively.

At September 30, 2016, \$538,306 (2015 - \$478,306) of accumulated related party expenditures was payable to Tom Drivas. Canada Enerco Corp., a company controlled by Tom Drivas is owed \$26,753.

During the year ended September 30, 2016, the Company incurred expenses of \$18,000 (2015 – \$17,500) related to directors' fees to independent directors. At September 30, 2016, \$45,000 (2015 - \$27,000) was outstanding.

During the year ended September 30, 2016, the Company incurred expenses of \$16,412 (2015 - \$2,333) for legal fees to a law firm related to a director of the Company, William R. Johnstone. At September 30, 2016 \$4,726 (2015 – \$108) was payable to this related party.

As disclosed in Note 6, the Company's major exploration property was acquired from a related party.

#### 11. Financial instruments and risk management

#### Categories of financial assets and liabilities

Under IFRS, financial instruments are classified into one of the following five categories: Fair value through profit and loss ("FVTPL"), held to maturity investments, loans and receivables, financial assets and financial liabilities. The carrying values of the Company's financial instruments, including those held for sales are classified into the following categories:

	September 30	September 30
	2016	2015
	\$	\$
FVTPL <sup>(1)</sup>	661,751	661,087
Receivables (2)	5,280	1,657
Financial liabilities (3)	1,182	1,393

- $(\overline{1})$  *Includes cash, committed cash and short-term investments.*
- (2) Includes accounts receivable related to HST tax refunds.
- (3) Includes accounts payable.

#### Financial Instruments

The carrying amounts for the Company's financial instruments approximate their fair values because of the short-term nature of these items.

# Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company.

#### Carrying value of exploration and evaluation assets

The Company regularly reviews the carrying value of its properties for impairment to determine whether the carrying amount of these assets will be recoverable from future cash flows. Assumptions underlying the cash flow estimates include the forecasted prices for uranium and rare earth elements, planned production levels, and operating, capital, exploration and reclamation costs, which are subject to risks and uncertainties. Management has determined that there is no impairment of the carrying value on its Ontario and Saskatchewan properties.

#### (a) Market risk

(i) Price risk Commodity price risk

The price of uranium and rare earth elements will have an impact on the Company's exploration projects.

Sensitivity price risk

Anticipated changes in the price of uranium and rare earth elements would not, in management's opinion, change the recognized value of any of the Company's financial instruments.

(ii) Cash flow fair value interest rate risk

The Company does not have interest-bearing borrowings. The Company is exposed to interest rate risk to the extent of interest received on its cash balances.

#### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. Credit risk arises from cash and deposits with Canadian Chartered Banks as well as credit exposures to outstanding receivables.

The Company has no concentration of credit risk. The carrying amounts of financial assets recorded in the Statements are at cost.

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities to meet the Company's commitments as they arise. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows. The Company is currently assessing all options to address its liquidity issues. It is not possible to determine with any certainty the success and adequacy of these initiatives.

#### 12. Capital disclosures

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 exploration and evaluation assets. The capital of the Company consists of capital stock, warrants and contributed surplus.

The 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. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and will raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements.

# **APPIA ENERGY CORP.**

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the year ended September 30, 2016

#### APPIA ENERGY CORP.

# Management's Discussion and Analysis – September 30, 2016 As of December 14, 2016

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Appia Energy Corp. ("Appia" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended September 30, 2016. The MD&A was prepared as of December 14, 2016 and should be read in conjunction with the audited financial statements ("Financial Statements") of the Company for the year ended September 30, 2016 and 2015, including the notes thereto. Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars. These Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as described in Note 2 to the Financial Statements.

### **Executive Summary**

#### Corporate

Appia is a Canadian mineral exploration company listed on the Canadian Securities Exchange under the trading symbol "API" and has a primary focus on Uranium and Rare Earth Elements. At September 30, 2016 the Company held an interest in 89,929 hectares (222,218 acres) in Saskatchewan, primarily in the Athabasca Basin.

In Ontario, Appia controls 13,008 hectares (32,143 acres) encompassing five mineralized zones in the Elliot Lake area of northern Ontario, including National Instrument 43-101 ("NI 43-101") reported resources at Teasdale Lake and Banana Lake. The Elliot Lake area has produced over 300 M lbs. of U<sub>3</sub>O<sub>8</sub> and is the only mining camp in Canada with significant historical commercial REE production.

As set out in detail in note 3 to the Financial Statements, in 2015 the Company voluntarily changed its accounting policy for exploration and evaluation expenditures and retrospectively applied the change. Previously, the Company capitalized both the mineral property acquisition costs and deferred exploration and evaluation expenditures on the properties.

Under the new policy, only the original acquisition cost of exploration and evaluation properties are capitalized with all exploration and evaluation expenditures incurred prior to the establishment of technical feasibility and commercial viability of extracting mineral resources and prior to a decision to proceed with mine development, charged to operations as incurred.

On June 28, 2016 Appia announced the closing of a non-brokered private placement with the sale of 1,315,000 working capital units ("WC Units") at \$0.20 per WC Unit for gross proceeds of \$263,000. The WC Unit includes a warrant to purchase one common share at \$0.30 until June 27, 2019, but the exercise could be forced earlier if the share price exceeds at least \$0.50 on the Canadian Securities Exchange for 20 consecutive days at least after four months from the closing date. A second closing on September 8 of 75,000 WC Units as well as 750,000 flow-through units ("FT Units") priced at \$0.20 per FT unit, comprising one common share and one-half of one warrant entitling the purchase of one share for \$0.35 per share for one full warrant within eighteen months of the closing, subject to the forced earlier exercise as for the WC units, raising an additional \$165,000 for a total of \$428,000. Funds raised will be primarily used to finance a 715 line-kilometre VTEM<sup>TM</sup> Max Time-Domain electromagnetic survey over the Loranger Property acquired in March of this year, along with subsequent exploration on the ground. The non-brokered offering has been extended to September 10, 2016.

On August 11, 2016 the Company announced the engagement of Palisade Global Investments Inc. for a period of twenty-two months to serve as financial advisory consultants in the United States, Canada and Europe. Appia also announced the appointment of Dr. Irvine R. Annesley as an advisor to the Company relating to the prospective uranium-thorium-Rare Earth Elements properties in Saskatchewan.

Appia Energy Corp. -1 - September 30, 2016

#### Saskatchewan

In September 2013, the Company discovered a new area of REE mineralization, plus uranium and thorium on claims south of Alces Lake. The zone is designated as the "Ivan Zone" and is located 125 metres northeast of the historical trenches. Outcrop and boulder train samples recorded radioactivity levels in excess of 56,000 cps. Samples from the outcrops and boulder trains have been assayed and reflect moderate to highly anomalous rare earth elements. Total REEs in 12 samples range from 1.1% to 35.7% by weight. Details of the laboratory analyses for individual elements were reported in the Company's news release on the Ivan Zone on May 22, 2014.

Geotech Ltd.'s 154 line-kilometre helicopter-borne geophysical and radiometric surveys flown in June over the Alces Lake Property has outlined extensive radioactive anomalous areas similar to those with known areas of uranium and REE mineralization, providing input for geological interpretations of the Property.

Two new groups of mineral claims in the Athabasca Basin were acquired in March 2016 with details as follows:

Under the direction of recently appointed James Sykes, Director of Saskatchewan Operations, who has extensive experience on exploration projects in the Athabasca Basin, the "Loranger" and the "Otherside" properties were staked because of their similar geological and signatures to known high-grade, high-tonnage uranium deposits in the Basin: Fission Uranium Corp.'s Triple R deposit, NexGenEnergy's Arrow deposits, and others.

The Loranger property is located 28 km southeast of Cameco's Rabbit Lake mill and comprises 30,725 ha. (75,923 acres), centred on 4 individual conductors with an aggregate length of 96 km of which 94 km is untested. The property is hosted within the basement rocks of the Wollaston Domain, near the deposit rich eastern margin of the Basin.

The Otherside property comprises 21,868 ha. (54,307 acres), straddles a 40 km-long corridor hosting multiple discrete conductors with associated magnetic gradients and gravity lows, within the north central Athabasca Basin.

A VTEM survey over the Loranger property was flown in October and the results of the survey were reported in a news release issued on December 13, 2016 and detailed on page 4 pf this MD&A.

The Company plans to follow-up the Loranger survey with ground gravity surveys over the most prospective target areas in January 2017, followed by a diamond drilling program in early 2017.

Appia also intends to carry out ground geophysical surveys and resistivity surveys over the primary target areas within the Otherside property in order to elevate the property to drill-ready status.

#### Ontario

The National Instrument 43-101 ("NI 43-101") report on the Elliot Lake properties completed in 2013 incorporated a new concept of simultaneously mining a nine metre high underground zone, including the Upper Reef, the Rare Earth Elements ("REEs") in the Intermediate Quartzite Zone and the Lower Reef. With the REE content by weight being over six times the uranium content, the economic value of the mineralized zone has been greatly enhanced. A significant portion of the previously categorized Inferred Resources was upgraded to Indicated Resources, and additional resources were defined.

More work to expand the Resources at Teasdale and the preparation of a Preliminary Economic Analysis of the project will be contingent on an improved price for uranium and a clearer picture of supply and demand for REEs.

Appia Energy Corp. - 2 - September 30, 2016

### **Exploration and Evaluation Assets**

#### Saskatchewan Properties:

Beginning in fiscal 2011, the Company participated in staking properties in Saskatchewan, with a significant addition of the Loranger and Otherside properties in the current year.

At September 30, 2016 the Company held a total of 89,929 hectares (222,218 acres) in Saskatchewan, including a 100% interest in 88,411 hectares (218,467 acres) as well as a 90% interest in 1,518 hectares (3,751 acres).

#### Alces Lake (90% interest)

In 2010, the Saskatchewan Geological Survey visited the Alces Lake area where a trenching program had been carried out at an earlier date, with 13 rock sample assays showing a significant presence of REEs, reaching as high as 29.8% total REEs and anomalous levels of uranium and thorium.

In 2011, the Company visited the site and recorded radioactivity levels over 15 boulder and outcrop samples in a range of 5,500 cps to 53,500 cps, with thorium levels off scale for the spectrometer. Assays on five samples reflected favourably on the 2010 REE findings.

In September 2013, the Company discovered a new area of REE mineralization, plus uranium and thorium on claims south of Alces Lake. The zone is designated as the "Ivan Zone" and is located 125 metres northeast of the historical trenches. Outcrop and boulder train samples recorded radioactivity levels in excess of 56,000 cps. Samples from the outcrops and boulder trains have been assayed and reflect moderate to highly anomalous rare earth elements. Total REEs in 12 samples range from 1.1% to 35.7% by weight. Details of the laboratory analyses for individual elements were reported in the Company's news release on the Ivan Zone on May 22, 2014.

Geotech Ltd.'s 154 line-kilometre helicopter-borne geophysical and radiometric surveys flown in June 2016 over the Alces Lake Property outlined extensive radioactive anomalous areas similar to those with known areas of uranium and REE mineralization, providing input for geological interpretations of the Property. The magnetic survey delineated a large magnetic high area which includes the trenches worked in 2010 and the Ivan Zone outcrops sampled in 2013. A positive correlation between the magnetic data and numerous radiometric anomalies suggest that the uranium and REE mineralization host-rock is widespread beneath the overburden cover. These survey results will prioritize future surface mapping and sampling programs as well as defining the sub-surface extent of the uranium and REE mineralization observed at surface. (Please refer to the July 19 news release for more details and an internet link to geological maps of the interpreted survey results from this program.) Follow up surface work is intended.

#### Athabasca Basin

Under the direction of James Sykes, Director of Saskatchewan Operations, who has extensive experience on exploration projects in the Athabasca Basin, the "Loranger" and the "Otherside" properties were staked in March 2016, because of their similar geological and signatures to known high-grade, high-tonnage uranium deposits in the Basin: Fission Uranium Corp.'s Triple R deposit, NexGenEnergy's Arrow deposits, and others.

The Loranger property now comprises 30,725 ha. (75,923 acres), centred on 4 individual conductors with an aggregate length of 96 km of which 94 km is untested. The property is hosted within the basement rocks of the Wollaston Domain, near the deposit rich eastern margin of the Basin. Included in the Loranger property is an additional 5,969 hectares (14,750 acres) immediately contiguous to the area originally staked, covering a 20 km aeromagnetic and electromagnetic trend extending to the southwest and hosting 12 km of sub-parallel conductors identified in an earlier airborne survey.

The Otherside property comprises 21,868 ha. (54,307 acres), straddles a 40 km-long corridor hosting multiple discrete conductors with associated magnetic gradients and gravity lows, within the north central Athabasca Basin.

Appia Energy Corp. - 3 - September 30, 2016

In October 2016 Geotech Ltd. flew a 715 line-kilometre VTEM <sup>TM</sup> Max Time-Domain electromagnetic ("EM") and magnetic survey over the Loranger property to better define the conductive zones that were identified in a 1978 Barringer/Questor airborne Mark VI Input EM survey.

In a news release on December 13, 2016 (see it on the website, <a href="www.appiaenergy.com">www.appiaenergy.com</a>), the Company reported that the survey identified the 94 km of primary northeast-southwest oriented structural corridors, occurring over a 33 km strike length of the Property, that share similar geophysical characteristics to a number of Athabasca Basin high-grade uranium deposits ("uranium deposits"). Specific characteristic details have been identified and are known to occur within other uranium deposits. These include the following:

conductive zones exceeding 10 km in contiguous strike length

conductor offsets ("jogs") associated with very conductive materials

jogs associated with the lack of conductive materials, and

bifurcated and sub-parallel conductors.

Conductive zones account for 68 km of the primary structural corridors (>0.1 milliseconds), and 28 km of those conductive zones are considered very conductive (i.e. > 1.0 milliseconds).

The survey also outlined a series of north-south oriented structures, known as the Tabbernor fault system. A major Tabbernor fault offsets the property geology along both sides of the fault by 6 to 8 km. Many other uranium deposits have associations with the Tabbernor fault system, most notably UEX's Raven-Horseshoe and Cameco's Collins Bay deposits.

The Company plans to follow-up the survey with ground gravity surveys over the most prospective target areas in January 2017, followed by a diamond drilling program in early 2017.

Appia also intends to carry out ground geophysical surveys and resistivity surveys over the primary target areas within the Otherside property in order to elevate the property to drill-ready status.

#### **Ontario Properties:**

Appia holds over 13,008 hectares (32,143 acres) encompassing five mineralized zones in the Elliot Lake area of northern Ontario. The zones are called Teasdale, Banana Lake, Canuc, Bouck Lake and Buckles Lake. Since the inception of mining, the Elliot Lake area has produced over 300 M lbs. of  $U_3O_8$  and is the only mining camp in Canada with significant historical commercial REE production.

#### Teasdale Lake Zone

The following two tables set out the resources reported in the NI 43-101 report entitled "Update Report on the Appia Energy Corp. Uranium-Rare Earth Property, Elliot Lake District, North-Central Ontario, Canada," by Watts Griffis and McOuat ("WGM") dated July 30, 2013 which has been filed on SEDAR (<a href="www.sedar.com">www.sedar.com</a>). It should be noted that the contents for the rare earth components are for rare earth metals, whereas it has become more common to report the contents as equivalent rare earth oxides, which results in an average increase of approximately 46% for the oxides versus the metallic form.

Appia Energy Corp. - 4 - September 30, 2016

Table 1
Summary of Teasdale Zone Uranium and Rare Earth Mineral Resource Estimate

Zone	Tonnes ('000)	Tons ('000)	TREE (lbs/ton)	U <sub>3</sub> O <sub>8</sub> (lbs/ton)	Average Thickness (m)	Contained TREE ('000 lbs)	Contained U <sub>3</sub> O <sub>8</sub> ('000 lbs)
INDICATED F	RESOURCES						
UR	6,733	7,422	4.20	0.484	4.61	31,199	3,593
IQ	3,006	3,314	1.98	0.259	2.27	6,578	0.857
LR	3,355	3,699	2.68	0.958	2.60	9,912	3,544
Total	13,095	14,435	3.30	0.554	9.48	47,689	7,995
INFERRED R	ESOURCES						
UR	18,326	20,201	3.87	0.421	4.33	78,080	8,498
IQ	10,209	11,254	1.64	0.184	2.78	18,464	2,070
LR	9,972	10,992	3.33	0.869	2.71	36,631	9,564
Total	38,507	42,447	3.14	0.474	9.82	133,175	20,115

Note: 1. Mineral Resources effective 30 July, 2013

- 2. Mineral Resources are estimated at a cut-off value of \$100 per tonne, using a uranium price of US\$70/lb U₃O₀, a TREE price of \$78/kg, and a C\$:US\$ exchange rate of 1:0.9. TREE includes all the REE elements from lanthanum to lutetium plus yttrium.
- 3. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues. There are no known specific problems at this date.
- 4. The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
- 5. The Mineral Resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council December 11, 2005.
- 6. Specific Gravity of 2.85 tonnes/m³ (or 3.14 tons/m³) was used.
- 7. Indicated amounts may not precisely sum due to rounding.

Table 2
Individual REE Resource Grade Composition Summary

7		Light F	REE (g	rams/	tonne	)			He	avy R	EE (g	rams/t	onne)			
Zone	La	Се	Pr	Nd	Sm	Eu	Gd	Tb	Dy	Но	Er	Tm	Yb	Lu	Hf	Υ
INDICATED	Reso	URCES														
UR	540	951	93.9	313	51.7	1.9	32.8	3.9	17.2	2.7	7.0	0.9	5.5	0.8	6.8	72.9
IQ	256	452	44.9	148	24.4	1.0	14.7	1.8	7.7	1.2	3.1	0.4	2.5	0.4	3.6	30.6
LR	332	596	59.4	201	35.1	1.7	23.2	3.0	14.2	2.3	5.9	8.0	4.5	0.6	3.3	58.1
Average	422	745	73.8	247	41.1	1.7	26.2	3.2	14.3	2.3	5.8	8.0	4.6	0.7	5.2	59.4
INFERRED	Resou	JRCES														
UR	498	876	85.9	285	47.2	1.8	29.3	3.5	15.9	2.5	6.5	0.9	5.3	0.8	6.8	67.9
IQ	213	374	37.0	122	20.0	8.0	12.3	1.4	6.4	1.0	2.6	0.4	2.2	0.3	3.3	26.5
LR	417	747	73.9	249	43.4	1.9	28.5	3.6	16.4	2.6	6.6	0.9	5.2	0.7	4.5	66.4
Average	401	709	69.9	232	39.0	1.6	24.6	3.0	13.5	2.1	5.5	0.7	4.4	0.6	5.3	56.5

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Table 3
1979 Historical U<sub>3</sub>O<sub>8</sub> Estimates on Appia's Elliot Lake Properties

<u>Zone</u>	<u>Quantity</u> (tons)	<u>Grade</u> (lbs U₃O₅/ton)	Contained U <sub>3</sub> O <sub>8</sub> (lbs)
Teasdale Lake Zone	17,458,200	1.206	20,787,200
Buckles Zone	42,800,000	0.38	16,264,000
(Gemico Block #3)			
Bouck Zone	20,700,000	0.75	15,525,000
(Gemico Block #10)			
Banana Lake Zone	175,800,000	0.76	133,608,000
Canuc Zone	7,000,000	<u>1.86</u>	13,020,000
Total	263,758,200	0.76	199,204,200

The foregoing historical resources were not estimated in accordance with definitions and practices established for the estimation of Mineral Resources and Mineral Reserves by the Canadian Institute of Mining and Metallurgy. As such, the historical resources are not compliant with Canada's security rule NI 43-101, and are unreliable for investment decisions. Neither Appia nor its Qualified Persons have done sufficient work to classify the historical resources as mineral resources under current mineral resource terminology and are not treating the historical resources as current mineral resources. Nevertheless, most of the historical resources were estimated by mining companies active in the Elliot Lake camp using assumptions, methods and practices that were accepted at the time, and based on corroborative mining experience.

#### Banana Lake Zone

Based on drilling by Appia during 2007, a subsequent Mineral Resource estimate for the Banana Lake Zone was prepared in 2011 by WGM in accordance with the provisions of NI 43-101. Some of Appia's drilling included holes that were wedged from historical drill holes that Appia re-entered. This resource, first reported in Workman and Breede (2011), is summarized in Table 4. A single hole drilled in 2012 to 1,647 metres did not encounter the typical geological formation with assays returning no significant values of U<sub>3</sub>O<sub>8</sub>, thorium or REEs. WGM, however, is of the belief that this hole did not materially impact the potential for additional resources in the Banana Lake Zone.

. Table 4
Summary of Banana Lake Zone Mineral Resource Estimate

Category	Tons ('000)	Specific Gravity (tons/m³)	lbs. U₃O <sub>8</sub> /ton	Total lbs U <sub>3</sub> O <sub>8</sub> ('000)
Inferred Resources	30,315	3.14	0.912	27,638

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Notes: 1. Effective, 1 April, 2011

- Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.
- The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
- 4. The Mineral Resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council December 11, 2005.
- 5. A cut-off grade of 0.6 lb. U<sub>3</sub>O<sub>8</sub> was used
- 6. Specific Gravity of 2.85 tonnes/m³ (or 3.14 tons/m³) was used.
- 7. Indicated amounts may not precisely sum due to rounding.

#### Summary:

The Company is considering the next stage of the Teasdale exploration and evaluation. The longer-term outlook for uranium prices is positive and the successful recovery of the REEs, particularly the heavy elements of the total rare earths encountered, is very encouraging. Factors favourable for the project include the following:

- new mine infrastructure development would be in brownfield areas already disturbed by industrial and mining activity;
- water, electrical, transportation and communications infrastructure is in place or close at hand;
- the recovery of uranium from Elliot Lake ore is well known. Based on Teasdale Lake test results, the recovery of REEs appears to face no significant technical uncertainties;
- Appia is not responsible in any manner for potential future environmental impacts arising out of historical mining operations or waste disposal; and,
- The Cameco uranium refinery is located approximately 50 km away, near Blind River.

#### **Outlook**

The results from the exploration work carried out at Alces Lake, Saskatchewan suggest that follow-up work is highly desirable, and the newly acquired Loranger and Otherside properties are promising exploration targets.

The Company plans to follow-up the Loranger survey with ground gravity surveys over the most prospective target areas in January 2017, followed by a diamond drilling program in early 2017.

The 2012 drilling at the Teasdale Zone of Elliot Lake and the change in the proposed mine plan resulted in very significant quantities of REEs being reported, with a large increase in the Indicated category and an overall increase in the Indicated and Inferred Resources. The preliminary metallurgical test recovery of 90% for uranium and 80% to 90% for most REEs is very encouraging. There have been significant developments in the separation of individual REEs from the composite ore which suggests that these test results can be improved upon.

More work to expand the Resources at Teasdale and the preparation of a Preliminary Economic Analysis of the project will be contingent on an improved price for uranium and a clearer picture of supply and demand for REEs.

The tsunami in Japan resulted in the shut-down of all of its 48 nuclear reactors, resulting in a severe drop in uranium prices. 36 reactors are expected to be restarted, but progress is slow. There are currently 64 reactors under construction around the world. A reactor start-up requires twice as much uranium in its first year of operation and normal industry practice is to build up a stockpile to ensure a seven year supply on start-up, but with the spot price of uranium at less than US\$25 per pound, operators are adopting a wait-and-see attitude and are not rebuilding their stockpiles to "normal" levels.

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The Province of Ontario is extending the life of the Bruce and Darlington nuclear facility in order to continue providing 50% of the Province's electricity requirements with nuclear power for the next twenty years. The United Nations climate agreement, as well as severe air pollution issues in China are factors in building 6 to 8 new nuclear power reactors a year in China to reduce the use of coal, which is currently used to supply 70% of its electricity.

World deliveries of uranium under long-term contracts averaging US\$40.50 are reaching expiry dates. The World Nuclear Association recently stated that uranium supply and demand is expected to be in balance for the next several years. Analysts have projected that uranium prices will test a US\$80 price by 2018.

The US Government Accountability Office, ("GAO") released a report in February indicating that the Department of Defense has not addressed defining which of the REEs are critical regarding supply, although at various times 15 of the REEs have been identified as critical for weapon-related applications by the military. The Department of Defense has agreed with the GAO to identify which rare earths are critical, and work toward a department-wide strategy for securing its REE supply chain.

China controls most of the world supply of REEs, but is expected to be unable to even supply its own requirements in the foreseeable future. Current mine production is less than consumption. Demand is expected to increase by 58% by 2020, with known supplies not being able to meet this demand.

Appia's current financing will fund the proposed exploration work in the current calendar year in Saskatchewan, and will monitor financial market conditions, and if possible, complete another financing and/or seek a joint venture partner in order to further advance the exploration and development activities on its Saskatchewan and Elliot Lake properties.

#### Selected Annual Information (2015 and 2014 restated to reflect the new accounting policy)

	2016	2015	2014
	\$	\$	\$
Net income/(loss)	(310,071)	(230,541)	(421,846)
Net loss per share – basic and diluted	(0.01)	(0.01)	(0.01)
Total assets	1,672,908	1,450,813	1,600,839

# **Results of Operations**

Exploration expenses incurred during the year ended September 30, 2016 were \$84,099, nearly all in the Athabasca Basin Area of Saskatchewan, compared to \$44,568 for the same period in 2015 including Ontario. The refund from Saskatchewan received in 2016 offset the 2015 exploration costs incurred of \$21,209. In addition to exploration costs, \$31,556 was spent staking the additional groups of claims in Saskatchewan.

Total general and administrative expenses for the year ended September 30, 2016 were \$252,052 compared to \$193,721 in the same period in 2015. The increases in shareholder communication and investor relations to \$46,341 (2015 - \$18,080), and non-cash share-based compensation for consultants to \$33,165 (2015 - \$9,105) account for most of the difference. The Company continues to cut administrative costs where possible.

Interest income decreased to \$4,191 for the year ended September 30, 2016, compared to \$7,748 for 2015, due to lower cash balances held during the year.

The Company's net loss and comprehensive loss for the year ended September 30, 2016 was \$310,071 compared with \$230,541 in 2015.

#### **Fourth Quarter**

The Company's net loss and comprehensive loss for the three months ended September 30, 2016 was \$120,217 compared to \$45,941 in the prior year. The change in the fourth quarter of 2016 compared to 2015 was due to the

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increase in non-cash share-based compensation to \$32,166 (2015 - \$nil) and an increase in shareholder's communication to \$29,462 (2015 - \$2,331).

#### Selected Quarterly Information – 2015 restated as outlined in Note 3 to the Financial Statements

2015 - 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015
	\$	\$	\$	\$
Net loss and comprehensive loss	(120,217)	(99,722)	(58,452)	(31,680)
Net loss per share – basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	1,672,908	1,574,725	1,406,464	1,451,420
2014 - 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014
	\$	\$	\$	\$
Net loss and comprehensive loss	(45,941)	(53,728)	(68,721)	(62,151)
Net loss per share – basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)

# **Capital Resources and Liquidity**

At September 30, 2016, the Company had working capital of \$226,999 (after providing for \$617,690 owing to related parties) compared to working capital of \$112,867 as at September 30, 2015. The Company has no operating revenue and has historically been funded with equity based private placements. The Company's exploration plans are contingent on raising capital resources. The Company has sufficient financial resources to continue operation through the next twelve months. Cash operating costs, not including exploration costs or amounts due to related parties, are currently approximately \$11,000 per month.

The Company's ability to meet its obligations and continue as a going concern continues to be dependent on the ability to identify and complete future financings. While the Company has been successful in raising financings to date, there can be no assurance that it will be able to do so in the future.

#### **Common Share Data**

The Company is authorized to issue an unlimited number of no par value common shares. The number of common shares issued as at September 30, 2016 was 43,791,078 and September 30, 2015 was 41,616,078.

The following table provides the details of changes in the number of issued common shares.

	Number	Amount
	<u>#</u>	<u>\$</u>
Balance, September 30, 2014 and 2015	41,616,078	7,835,123
Flow-through units issued	750,000	150,000
Working capital units issued	1,390,000	278,000
Broker compensation shares issued	35,000	(3,393)
Less: value associated with warrants issued		(104,295)
Share issue costs		(5,406)
Balance, September 30, 2016	43,791,078	8,150,029

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## Common share purchase stock options

The Company has a stock option plan for the benefit of directors, officers and consultants. The total number of shares which may be reserved and set aside for issuance to eligible persons may not exceed 10% of the issued and outstanding common shares.

As at September 30, 2016, 2,100,000 common shares were reserved for the exercise of stock options granted under the Company's stock option plan at September 30.

The following table provides the details of changes in the number of issued common share purchase options during the year:

	Options #	Weighted-average exercise price \$
Outstanding at September 30, 2015 and September 30, 2014	2,600,000	1.25
Expired, unexercised	(1,400,000)	1.25
Granted: April	500,000	0.10
August	400,000	0.30
Outstanding at September 30, 2016	2,100,000	0.80

The following table provides the details of issued common share purchase options, the number exercisable and the expiry dates.

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
400.000	400.000	4.0 months	\$1.25	February 1, 2017
400,000	400,000	18.3 months	\$1.25	April 9, 2018
400,000	400,000	29.8 months	\$1.25	March 25, 2019
500,000	250,000	54.5 months	\$0.10	April 14, 2021
300,000	300,000	21.0 months	\$0.30	June 30, 2018
100,000	50,000	58.7 months	\$0.30	August 22, 2021
2,100,000	1,800,000			

#### (c) Warrants

On certain issuances of common shares, the Company grants warrants entitling the holder to acquire additional common shares of the Company, and the Company grants warrants as consideration for services associated with the placement of such common share issues.

The following table provides the details of changes in the number of outstanding common share purchase warrants:

	Number #	Price range \$
Balance September 30, 2015	-	-
Private placement warrants issued	1,765,000	\$0.20- \$0.35
Brokers warrants issued	35,000	\$0.20
Balance September 30, 2016	1,800,000	\$0.20-\$0.35

As at September 30, 2016 and December 14, 2016 the Company had 43,791,078 common shares, 1,800,000 purchase share warrants and 2,100,000 stock options outstanding for a fully diluted number of common shares that could have been outstanding of 47,691,078.

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### **Related Party Transactions**

During the year ended September 30, 2016, the Company incurred related party expenses of \$101,438 (2015 – \$101,400). These expenses related to management fees paid or payable to key management personnel; Tom Drivas, Chief Executive Officer, Frank van de Water, Secretary and Chief Financial Officer, Michael D'Amico, Chief Financial Officer until December 31, 2015, and office administration services paid to Romios Gold Resources Inc., a company with a number of common directors and officers. The amount charged for office administration services is included under office and general expenses.

At September 30, 2016, \$538,306 (2015 - \$478,306) of accumulated related party expenditures was payable to Tom Drivas. Canada Enerco Corp., a company controlled by Tom Drivas is owed \$26,753.

During the year ended September 30, 2016, the Company incurred expenses of \$18,000 (2015 – \$17,500) related to directors' fees to independent directors. At September 30, 2016, \$45,000 (2015 - \$27,000) was outstanding.

During the year ended September 30, 2016, the Company incurred expenses of \$11,687 (2015 - \$2,333) for legal fees to a law firm related to a director of the Company, William R. Johnstone. At September 30, 2016 \$nil (2015 – \$108) was payable to this related party.

Share-based compensation to key management and directors for the year ended September 30, 2016 was \$1,207 (2015 - \$9,105) respectively.

Key management personnel were not paid post-retirement benefits, termination benefits, or other long-term benefits during the year ended September 30, 2016 and 2015.

As disclosed in Note 6 of the Financial Statements, the Company's major exploration property was acquired from a related party.

### Carrying value of exploration and evaluation assets

The Company regularly reviews the carrying value of its exploration and evaluation assets for impairment to determine whether the acquisition cost of these properties will be recoverable from future cash flows or from their disposition. Assumptions underlying the cash flow estimates include the forecasted prices for uranium and rare earth elements, production levels, and operating, capital, exploration and reclamation costs, which are subject to risks and uncertainties. Management has determined that as at September 30 and December14, 2016, there is no impairment of the carrying value of its Ontario and Saskatchewan properties.

#### **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

#### **Financial Instruments and Other Instruments**

The Company is required to disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet dates, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The Company's financial instruments recognized in the balance sheet consist of cash, and cash equivalents, HST/GST receivable and current liabilities. The fair value of these financial instruments approximate their carrying value due to the short maturity or current market rate associated with these instruments.

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#### **Risk Factors**

There are a number of risks that could affect Appia's business prospects. They include the speculative nature and the ability to finance the exploration and development of the Company's mineral properties, operating hazards, environmental and other government regulations, competition in the marketplace, markets for the Company's securities and the demand for uranium and rare earth elements. The Company's viability will depend on the successful definition of recoverable and economic resources and the establishment of positive comprehensive feasibility studies leading to production decisions. After completion of positive feasibility studies, the Company's success is dependent on maintaining the title and beneficial interest in the properties, obtaining the necessary governmental approvals and the successful financing, construction and operation of a facility to profitably extract the contained metals.

#### Exploration Risk

Mineral exploration and development involve a high degree of risk. A very low percentage of exploration projects ultimately evolve into producing mines. There is no assurance that the Company's exploration and development activities will result in the definition of a commercial ore body. The viability of an ore body depends on a number of factors which include, but are not limited to, location, size, grade, geometry of ore body, availability of experienced labourers, proximity to existing infrastructure, metal prices and government regulations, including environmental restrictions.

#### Financial Capability and Additional Financing

The Company had cash of approximately \$554,000 and working capital of approximately \$37,000 at December 14, 2016, (after providing for \$640,000 owing to related parties), has no source of operating income and has no assurance that additional funding will be available to it for further exploration and development of its projects. Although the Company has been successful in the past in financing its activities through the sale of equity securities, there can be no assurance that it will be able to obtain sufficient financing in the future to continue as a going concern.

#### Fluctuating Prices

The prices of uranium and rare earth elements have fluctuated widely in recent years and are affected by factors beyond the control of the Company. The market price of individual rare earth elements are largely determined by China, which controls as much as 90% of the current world supply. International economic and political trends, currency exchange fluctuations, economic inflation and expectations for the level of economic inflation in the consuming economies, interest rates, global and local economic health and trends are some of the factors that could impact on the viability of the Company's exploration projects that are impossible to predict with certainty.

#### Environment

Both the exploration and production phases of the Company's operations are subject to environmental protection regulations in the jurisdictions in which it operates. Globally, environmental legislation is evolving towards stricter standards and enforcement, more stringent environmental impact assessments of new mining projects and increasing liability exposure for companies and their directors and officers. There is no assurance that future environmental regulations will not adversely affect the Company's operations.

#### Title Matters

The Ontario mining claims in which the Company has an interest have not been surveyed and, accordingly, the precise location of the boundaries of the claims which convey the ownership of mineral rights on specific tracts of land is uncertain, although the boundaries are clearly shown on Ontario government maps. Such claims have not been converted to lease and tenure, and as a result, are subject to annual compliance with assessment work requirements. Other parties may dispute the Company's title to its mining properties. While the Company has diligently investigated title to all mineral claims and, to the best of its knowledge, title to all properties is in good standing; this should not be construed as a guarantee of title. The properties may be subject to prior unregistered

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agreements or transfers or land claims, including First Nations land claims, and title may be affected by undetected defects. There is no guarantee that title to the Company's properties or its rights to earn an interest in its properties will not be challenged or impugned. In many countries, including Canada, claims have been made and new claims are being made by aboriginal peoples that call into question the rights granted by the governments of those countries in respect of resource properties.

#### Uncertainty in the Estimation of Mineral Resources

The Mineral Resource quantities contained in this MD&A are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that Mineral Resources could be mined or processed profitably. Such estimation is a subjective process, and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation.

Fluctuation in REE and uranium prices, results of drilling, metallurgical testing and the evaluation of mine plans subsequent to the date of any estimate may require revision of such estimate. Any material reductions in estimates of Mineral Resources, or of the Company's ability to extract these Mineral Resources, could have a material adverse effect on the value of the resources.

#### Land access

As of April 1, 2013, under the modified Mining Act (Ontario), the Company is required to obtain permits to conduct exploration and evaluation activities on its Ontario properties. The Ontario Government is required to consult with the First Nations in order to reach agreement to permit activity in areas considered to have been historically inhabited. The impact of any possible delays on the Company's intended activity is unknown.

#### **Voluntary Change in Accounting Policy**

During the year ended September 30, 2015, the Company voluntarily changed its accounting policy for exploration and evaluation expenditures. Previously, the Company capitalized acquisition costs and deferred exploration and evaluation expenditures on mineral properties to the specific mineral properties, net of any recoveries received.

Under the new policy, only the original acquisition costs of exploration and evaluation properties are capitalized and net expenditures incurred prior to the establishment of a positive technical feasibility and commercial report on the viability of extracting mineral resources, and a decision to proceed with mine development, are charged to operations as incurred.

In accordance with the requirements of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, the Company has retrospectively applied this change in accounting policy.

Management considers this accounting policy provides more reliable and relevant information and more clearly presents the Company's results and financial position.

The financial statement impact as at September 30, 2015 is as follows:

Statements of Financial Position	Under previous accounting policy \$	Effect of change	As reported
Deferred exploration expenditures	5,526,885	(5,526,885)	=
Total non-current assets	6,308,365	(5,526,885)	781,480
Total assets	6,977,698	(5,526,885)	1,450,813
Deferred income tax	520,533	(520,533)	-
Total Liabilities	1,076,998	(520,533)	556,465
Deficit	(4,347,962)	(5,006,352)	(9,354,314)
Total shareholders' equity	5,900,700	(5,006,352)	894,348
Total liabilities and shareholders' equity	6,977,698	(5,526,885)	1,450,813

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# Statements of Loss and Comprehensive Loss

	\$	\$	\$
Exploration and evaluation expenditures	-	(44,568)	(44,568)
Net loss and comprehensive loss for the year	(185,973)	(44,568)	(230,541)
Basic and diluted loss per year	(0.00)	(0.00)	(0.01)
Statements of Cash Flows			
	\$	\$	\$
Net loss for the year	\$ (185,973)	\$ (44,568)	\$ (230,541)
Net loss for the year Cash flows used in operating activities	\$ (185,973) (98,023)	\$ (44,568) (44,568)	(230,541) (142,591)
•	, ,	, , ,	, ,

#### Accounting pronouncements issued but not yet adopted

The following standard are either currently effective or will be effective soon with earlier adoption permitted. The Company has not early adopted any standards which are not yet effective and is currently assessing the impact they may have on the Statements:

#### IFRS 9, Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments – to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Corporation has not yet adopted this standard and is in the process of determining the impact of this standard.

#### **Special Note Regarding Forward-Looking Statements**

Certain statements in this MD&A may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ materially from the statements made. When used in this report, the words "estimate", "believe", "anticipate", "intend", "expect", "plan", "may", "should", and "will", are intended to identify forward-looking statements, and reflect the current expectations of the management of the Company with respect to future events, and are subject to risks and uncertainties, such as reduced funding and general economic and market factors. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in such forward-looking statements. Investors should not place undue reliance on forward-looking statements as a prediction of actual results. The Company does not undertake or assume any obligation to update these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

#### **Additional Information**

- Additional information may be found on the Company's website at <a href="www.appiaenergy.ca">www.appiaenergy.ca</a>.
- The technical information included in this MD&A regarding the Loranger property survey The technical content concerning the Property in this news release was reviewed and approved by Thomas Skimming, P.Eng, a Director of Appia, a Qualified Person as defined by National Instrument 43-101, and the technical information regarding the Elliot Lake properties has been reviewed and approved by Al Workman, P.Geo. Senior Geologist, Watts, Griffis and McOuat Ltd., a Qualified Person in accordance with the Canadian regulatory requirements as set out in NI 43-101.

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