



# 2016 Annual Report

December 31, 2016

PROPERTIES



INVESTMENTS



ROYALTIES





## **Consolidated Financial Statements**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2016**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Commander Resources Ltd.

We have audited the accompanying consolidated financial statements of Commander Resources Ltd., which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive (income) loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Commander Resources Ltd., as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

March 1, 2017

**COMMANDER RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(EXPRESSED IN CANADIAN DOLLARS)**

| As at                                      | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| <b>ASSETS</b>                              |                      |                      |
| <b>Current assets</b>                      |                      |                      |
| Cash and cash equivalents                  | \$ 998,429           | \$ 137,828           |
| Amounts receivable                         | 4,378                | 5,456                |
| Prepaid expenses                           | 23,170               | 20,124               |
| Investment in securities (Note 4)          | 1,769,660            | 526,255              |
|  | <b>2,795,637</b>     | <b>689,663</b>       |
| <b>Non-current assets</b>                  |                      |                      |
| Investment in securities (Note 4)          | 2,392,500            | -                    |
| Investment in associated company (Note 5)  | -                    | 1,663,952            |
| Exploration and evaluation assets (Note 6) | 2,971,749            | 4,051,826            |
|  | <b>5,364,249</b>     | <b>5,715,778</b>     |
| <b>TOTAL ASSETS</b>                        | <b>\$ 8,159,886</b>  | <b>\$ 6,405,441</b>  |
| <b>LIABILITIES</b>                         |                      |                      |
| <b>Current liabilities</b>                 |                      |                      |
| Accounts payable and accrued liabilities   | \$ 75,448            | \$ 73,908            |
| Advance from optionee (Note 6(c))          | 18,630               | 30,268               |
|  | <b>94,078</b>        | <b>104,176</b>       |
| <b>EQUITY</b>                              |                      |                      |
| Share capital (Note 7)                     | 39,700,632           | 39,040,632           |
| Share-based payments reserve (Note 7)      | 281,933              | 344,474              |
| Warrants reserve (Note 7)                  | 40,000               | 40,000               |
| Accumulated other comprehensive income     | 550,000              | 364,846              |
| Deficit                                    | (32,506,757)         | (33,488,687)         |
|  | <b>8,065,808</b>     | <b>6,301,265</b>     |
| <b>TOTAL LIABILITIES AND EQUITY</b>        | <b>\$ 8,159,886</b>  | <b>\$ 6,405,441</b>  |

*Nature of operations (Note 1)*

*Commitment (Note 9)*

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

*Approved on behalf of the Board of Directors on March 1, 2017:*

/s/ David Wakins

Director

/s/ Robert Cameron

Director

**COMMANDER RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (INCOME) LOSS**  
**(EXPRESSED IN CANADIAN DOLLARS)**

|  | For the years ended<br>December 31, |                    |
|--|-------------------------------------|--------------------|
|  | 2016                                | 2015               |
| <b>EXPENSES</b>  |                                     |                    |
| Accounting and audit   | \$ 56,978                           | \$ 73,546          |
| Administration   | 62,631                              | 35,519             |
| Consulting   | 147,035                             | 49,404             |
| Legal  | 6,903                               | 19,598             |
| Depreciation   | -                                   | 576                |
| Filing fees and transfer agent   | 18,913                              | 11,561             |
| Investor and shareholder relations                                       | 29,815                              | 2,463              |
| Salaries and benefits (Note 8)   | 57,198                              | 92,591             |
| Share-based payments (Note 7, 8)   | 136,560                             | 28,912             |
|  | <b>516,033</b>                      | <b>314,170</b>     |
| <b>Other (income) expenses</b>   |                                     |                    |
| Interest and miscellaneous income (Note 6(c))                            | (6,005)                             | (8,012)            |
| Royalty income (Note 6(e))   | (25,000)                            | (25,000)           |
| (Gain) loss on sale of investment in securities (Note 4)                 | (800,886)                           | 1,500              |
| Loss on transfer of investment in associated company (Note 5)            | 310,344                             | 24,012             |
| Share of loss and dilution loss in associated company (Note 5)           | 31,448                              | 130,338            |
| Gain on disposal of equipment  | -                                   | (1,000)            |
| Recoveries on exploration and evaluation assets (Note 6(e))              | -                                   | (10,947)           |
| Gain on sale of exploration and evaluation assets (Note 6(d))            | (1,951,462)                         | -                  |
| Impairment on exploration and evaluation assets (Note 6(e))              | 1,142,699                           | 14,153             |
| <b>Net (income) loss for the year</b>                                    | <b>(782,829)</b>                    | <b>439,214</b>     |
| <b>Other comprehensive (income) loss</b>                                 |                                     |                    |
| Items that may be reclassified to profit and loss                        |                                     |                    |
| Fair value adjustment on available-for-sale securities (Note 4)          | (1,163,744)                         | (68,887)           |
| Transfer on sale of available-for-sale securities (Note 4)               | 978,590                             | (1,500)            |
| <b>Other comprehensive (income) loss for the year</b>                    | <b>(185,154)</b>                    | <b>(70,387)</b>    |
| <b>Total comprehensive (income) loss for the year</b>                    | <b>\$ (967,983)</b>                 | <b>\$ 368,827</b>  |
| <b>Basic and diluted (income) loss per common share</b>                  | <b>\$ (0.007)</b>                   | <b>\$ 0.004</b>    |
| <b>Weighted average number of shares outstanding - basic and diluted</b> | <b>106,787,453</b>                  | <b>103,023,069</b> |

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

**COMMANDER RESOURCES LTD.**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**(EXPRESSED IN CANADIAN DOLLARS)**

|   | Number of<br>Shares | Share Capital        | Reserve                     |                  | Accumulated                      |                       | Total               |
|---|---------------------|----------------------|-----------------------------|------------------|----------------------------------|-----------------------|---------------------|
|   |                     |                      | Share-<br>based<br>Payments | Warrants         | Other<br>Comprehensive<br>Income | Deficit               |                     |
| <b>Balance, December 31, 2014</b>   | <b>102,792,521</b>  | <b>\$ 39,030,432</b> | <b>\$ 634,140</b>           | <b>\$ 40,000</b> | <b>\$ 294,459</b>                | <b>\$(33,368,051)</b> | <b>\$ 6,630,980</b> |
| Shares issued on acquisition of exploration and evaluation assets             | 510,000             | 10,200               | -                           | -                | -                                | -                     | 10,200              |
| Reclassification of grant date fair value on expired or cancelled options     | -                   | -                    | (318,578)                   | -                | -                                | 318,578               | -                   |
| Share-based payments  | -                   | -                    | 28,912                      | -                | -                                | -                     | 28,912              |
| Net loss for the year   | -                   | -                    | -                           | -                | -                                | (439,214)             | (439,214)           |
| Other comprehensive income for the year                                       | -                   | -                    | -                           | -                | 70,387                           | -                     | 70,387              |
| <b>Balance, December 31, 2015</b>   | <b>103,302,521</b>  | <b>\$ 39,040,632</b> | <b>\$ 344,474</b>           | <b>\$ 40,000</b> | <b>\$ 364,846</b>                | <b>\$(33,488,687)</b> | <b>\$ 6,301,265</b> |
| Shares issued on acquisition of exploration and evaluation assets (Note 6(a)) | 12,000,000          | 660,000              | -                           | -                | -                                | -                     | 660,000             |
| Reclassification of grant date fair value on expired options                  | -                   | -                    | (199,101)                   | -                | -                                | 199,101               | -                   |
| Share-based payments  | -                   | -                    | 136,560                     | -                | -                                | -                     | 136,560             |
| Net income for the year   | -                   | -                    | -                           | -                | -                                | 782,829               | 782,829             |
| Other comprehensive income for the year                                       | -                   | -                    | -                           | -                | 185,154                          | -                     | 185,154             |
| <b>Balance, December 31, 2016</b>   | <b>115,302,521</b>  | <b>\$ 39,700,632</b> | <b>\$ 281,933</b>           | <b>\$ 40,000</b> | <b>\$ 550,000</b>                | <b>\$(32,506,757)</b> | <b>\$ 8,065,808</b> |

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

**COMMANDER RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(EXPRESSED IN CANADIAN DOLLARS)**

|   | For the years ended<br>December 31, |                   |
|---|-------------------------------------|-------------------|
|   | 2016                                | 2015              |
| <b>Cash provided by (used in):</b>                            |                                     |                   |
| <b>Operating activities</b>                                   |                                     |                   |
| Net income (loss) for the year                                | \$ 782,829                          | \$ (439,214)      |
| Items not affecting cash:                                     |                                     |                   |
| Depreciation  | -                                   | 576               |
| Share-based payments  | 136,560                             | 28,912            |
| (Gain) loss on sale of investment in securities               | (800,886)                           | 1,500             |
| Loss on transfer of investment in associated company          | 310,344                             | 24,012            |
| Share of loss and dilution loss in associated company         | 31,448                              | 130,338           |
| Gain on disposal of equipment                                 | -                                   | (1,000)           |
| Impairment on exploration and evaluation assets               | 1,142,699                           | 14,153            |
| Gain on sale of exploration and evaluation assets             | (1,951,462)                         | -                 |
| Changes in non-cash working capital:                          |                                     |                   |
| Receivables and prepaid expenses                              | (1,968)                             | 66,877            |
| Accounts payable and accrued liabilities                      | 7,263                               | (162,608)         |
| Advance from optionee   | (11,638)                            | 3,846             |
| <b>Net cash used in operating activities</b>                  | <b>(354,811)</b>                    | <b>(332,608)</b>  |
| <b>Investing activities</b>                                   |                                     |                   |
| Expenditures on exploration and evaluation assets             | (96,883)                            | (48,812)          |
| Recoveries from exploration and evaluation assets             | -                                   | 78,559            |
| Proceeds from disposition of securities, net                  | 1,312,295                           | 1,500             |
| Proceeds from disposal of equipment                           | -                                   | 1,000             |
| Proceeds from disposition of investment in associated company | -                                   | 355,973           |
| <b>Net cash from investing activities</b>                     | <b>1,215,412</b>                    | <b>388,220</b>    |
| <b>Increase in cash and cash equivalents</b>                  | <b>860,601</b>                      | <b>55,612</b>     |
| <b>Cash and cash equivalents, beginning of year</b>           | <b>137,828</b>                      | <b>82,216</b>     |
| <b>Cash and cash equivalents, end of year</b>                 | <b>\$ 998,429</b>                   | <b>\$ 137,828</b> |
| <b>Cash and cash equivalents comprises:</b>                   |                                     |                   |
| Cash at bank - Canadian dollars                               | \$ 175,788                          | \$ 122,828        |
| Cash at bank - Mexican pesos                                  | 3,001                               | -                 |
| Short-term deposits - Canadian dollars                        | 819,640                             | 15,000            |
| <b>Cash and cash equivalents in Canadian dollars</b>          | <b>\$ 998,429</b>                   | <b>\$ 137,828</b> |

Supplemental cash flow information (Note 10)

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



**COMMANDER RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
*(EXPRESSED IN CANADIAN DOLLARS)*

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## 1. NATURE OF OPERATIONS

Commander Resources Ltd. (“Commander” or the “Company”) was incorporated in Canada and its records and registered office are at Suite 1100 - 1111 Melville Street, Vancouver, British Columbia, V6E 3V6.

In September 2016, the Company completed the acquisition of all the issued and outstanding shares of BRZ Mex Holdings Ltd. (“BRZM”) from Bearing Resources Ltd. BRZM and its wholly-owned subsidiary, Minera BRG SA de CV (“Minera BRG”), together own 100% interest of four mineral properties in Canada (October Dome, Mt. Polley and Flume) and Mexico (Pedro) (Note 6(a)).

Commander and its subsidiaries are in the business of acquisition, exploration and development of mineral properties in Canada and Mexico. As the Company is in the exploration stage, no revenue has been generated. The Company has relied on the issuance of share capital and the sales of its investment in securities to continue its operations. Commander has been successful in the past in raising equity financing. However, there is no assurance that such financing will be available with terms acceptable to the Company. As at December 31, 2016, Commander had working capital of \$2,701,559 which provides sufficient liquidity for the operations for the next twelve months.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### **Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial statements have been prepared on the historical cost basis, except for certain financial instruments classified as fair value through profit or loss, which are stated at fair value. Additionally, these consolidation financial statements have been prepared using the accrual basis of accounting except for cash flow information.

### **Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, BRZM and Minera BRG Note 6(a). The Company consolidates these subsidiaries on the basis that it controls these subsidiaries. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. All intercompany transactions and balances have been eliminated on consolidation.

### **Critical accounting judgments, estimates and assumptions**

The preparation of financial statements in accordance with IFRS requires management the use of estimates, assumptions and judgment that impact the Company’s reported financial results. These judgments and estimates are based on historical experiences and expectations of future events. Uncertainty on these judgments could result in material reassessments of the carrying amounts in the Company’s financial position.

*The significant judgments and estimates that affect these financial statements are as follows:*

#### *a) Recoverability of exploration and evaluation assets (“E&E assets”)*

The Company capitalizes the E&E expenditures based on the judgment that the carrying amounts will be recoverable. Their recoverability depends on various factors such as the discovery of economically viable reserves, the Company’s ability to obtain the financing to develop them into profitable production or from the disposition proceed of the E&E assets. As new information becomes available suggesting the recovery of these expenditures is unlikely, the capitalized costs are written off to profit or loss for the period.

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*b) Share-based payments*

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options. The Black-Scholes' fair value calculation requires management to make estimates and assumptions on future volatility of the stock price, risk-free interest rate, expected life, expected dividend yield and future forfeiture rate of options. Changes in any of these input assumptions could materially impact the share-based payment reserve and expense.

**Cash and cash equivalents**

Cash and cash equivalents include cash, term deposits and highly liquid guaranteed investment certificates that are readily available to the Company on demand or with maturity dates of three months or on initial acquisition.

**Exploration and evaluation assets ("E&E assets")**

The Company capitalizes costs related to the acquisition and exploration of the E&E assets. From time to time the Company may acquire or dispose an E&E asset pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as acquisition costs when the payments are made.

If economically recoverable reserves are developed, capitalized costs of the related property will be reclassified as mining assets and will be amortized using the unit-of-production method. When a property is deemed to no longer have commercially viable prospects to the Company, its capitalized expenditures in excess of estimated recoveries are written off to profit or loss.

When the Company receives proceeds in the form of cash and/or common shares from an option of interest or a partial sale in a property, the payments are credited against the carrying value of the property and the excess amount of the proceeds over the carrying value is recorded in profit and loss in the period. When all of the interest in a property is sold, the accumulated property costs are written off with any gain or loss recorded in profit and loss in the period the transaction occurs.

**Impairment of long-lived assets**

The carrying amounts of the Company's long-lived assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be individually tested are grouped together into the smallest group of assets that generates cash inflows or CGUs. The Company's corporate assets do not generate separate cash inflows and may be utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**Decommissioning, Restoration and Similar Liabilities**

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a provision for a decommissioning liability is recognized at its present value in the period in which it is incurred, which is generally when an environmental disturbance occurs or a constructive obligation is determined. Upon initial recognition of the liability, a corresponding amount is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using the unit of production method.

Following the initial recognition of a decommissioning liability, the carrying amount of the liability is increased for the passage of time and adjusted for changes in the estimated provision resulting from revisions to the estimated timing and amount of cash flows, or changes in the discount rate. Changes to estimated future costs are recognized in the statement of financial position by either increasing or decreasing the decommissioning liability and the decommissioning asset. At December 31, 2016 and 2015, the Company did not record any decommissioning liabilities.

**Share-based payments**

The Company recognizes share-based payments on stock option grants. The fair value of the options is measured at grant date, using the Black-Scholes option pricing model, and each tranche is recognized using the graded vesting method over the period during which the options vest. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

For directors, officers and employees, the fair value of the options is measured at the date of grant, and the options are recognized over the vesting period. For non-employees, share-based payments are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The fair value is recorded at the earlier of the vesting date, or the date the goods or services are received.

The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related reserves are transferred to share capital. Upon expiry, the recorded value is transferred to deficit.

**Income taxes**

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured at the enacted tax rates that are expected to apply when the assets are recovered and the liabilities settled. Deferred income tax assets also result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed annually and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**Loss per share**

Loss per share is calculated by dividing the loss for the period divided by the weighted average number of common shares outstanding during the period. The Company calculates the dilutive effect on loss per share by presuming the exercise of outstanding options and warrants. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive. Accordingly, basic and diluted loss per share is the same for the years presented. Shares

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subject to escrow restrictions are excluded from the weighted average number of common shares unless their release is subject only to the passage of time.

**Share capital**

Common shares issued by the Company are recorded in share capital at the value of proceeds received, net of issue costs. The fair value of common shares issued as consideration for E&E assets or other non-cash consideration is based on the trading price of those shares on the date the shares are issued.

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the quoted market price of the common shares at the time the units are priced, then to warrants on a residual value basis. In the case of the issuance of flow-through units, any remaining excess is allocated to the flow-through share premium as a liability.

**Foreign currency translation**

*Functional and presentation currency*

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiaries was determined by conducting an analysis of the consideration factors identified in *IAS 21, the Effects of Changes in Foreign Exchange Rates ("IAS 21")*. Commander and its Canadian subsidiary, BRZM, have the Canadian dollar as their functional currency. Minera BRG, the Company's Mexican subsidiary also has its functional currency as the Canadian dollar.

*Transactions and balances*

Foreign currency transactions are translated into the relevant functional currency using the exchange rate prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

**Financial instruments**

**Financial assets**

Financial assets are classified into one of four categories:

- fair value through profit or loss ("FVTPL");
- held-to-maturity ("HTM");
- available-for-sale ("AFS"); and
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

**FVTPL financial assets**

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. A financial asset is classified as FVTPL if:

- it has been acquired principally for the purpose of selling in the near future;
- it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets classified as FVTPL are stated at fair value with any resulting gain or loss recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset.

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HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as HTM investments.

AFS financial assets

Non-derivative short-term investments and other assets held are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income (loss). Impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets are recognized directly in profit or loss. When an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income (loss) is included in profit or loss for the year.

Loans and receivables

Loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the fair value and subsequently carried at amortized cost less impairment losses. The impairment loss of receivables is based on a review of all outstanding amounts at year end. Finance income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Refer to Note 13 for additional disclosures.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at least at each reporting date. 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 asset, the estimated future cash flows of the investment have been impacted.

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

With the exception of AFS equity instruments, if, in a subsequent year, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

Financial liabilities

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

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The Company has classified accounts payable and accrued liabilities and advance from optionee as other financial liabilities.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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FVTPL financial liabilities

FVTPL financial liabilities are initially measured, and subsequently carried at fair value with changes in fair value recognized through profit or loss.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

**3. NEW ACCOUNTING PRONOUNCEMENTS**

**New, amended and future accounting pronouncements**

Standards and amendments issued but not yet effective for the year ended December 31, 2016, are as follows:

IFRS 9, *Financial Instruments* addresses classification, measurement and recognition of financial assets and financial liabilities. In July 2014, IASB completed the final version of the Standard which replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a reformed approach to hedge accounting. The effective date for this standard is for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect any impact from this amendment.

IFRS 16, *Leases*, addresses accounting for leases and lease obligations and replaces the leasing guidance in IAS 17, *Leases*. The standard requires lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company does not expect any impact from this standard.

IAS 7, *Statement of Cash Flows*, was amended in January 2016 to enhance disclosures and requires entities to provide disclosures facilitating users of financial statements to evaluate changes in liabilities resulting from financial activities. The amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is reviewing the impact of these amendments on its financial statements.

**4. INVESTMENT IN SECURITIES**

|  | 2016                | 2015              |
|--|---------------------|-------------------|
| Fair value, beginning                                  | \$ 526,255          | \$ 458,867        |
| Additions (Note 6(d))                                  | 2,640,000           | -                 |
| Reclassification from investment in associated company | 1,322,160           | -                 |
| Proceeds from sales, net of commission                 | (1,312,295)         | (1,500)           |
| Gain on sale of investment in securities               | 800,886             | -                 |
| Unrealized gain on investment in securities            | 185,154             | 68,888            |
|  | <b>\$ 4,162,160</b> | <b>\$ 526,255</b> |
| Current  | \$ 1,769,660        | \$ 526,255        |
| Non-current (Note 4(a))                                | 2,392,500           | -                 |
|  | <b>\$ 4,162,160</b> | <b>\$ 526,255</b> |

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a) Aston Bay Holdings Ltd. ("Aston")

On February 18, 2016, Aston issued 11,000,000 common shares to Commander with a fair value of \$2,640,000 for the acquisition of the Storm Property (Note 6(d)). The 11,000,000 shares are held in a four-year escrow and will be released in four equal tranches of 2,750,000 shares on each anniversary date starting February 18, 2017 to 2020.

On May 4, 2016, 3,500,000 Aston shares (which were acquired and held prior to the Storm Property sale) were sold at \$0.29 per share for gross proceeds of \$1,015,000. As at December 31, 2016, Commander held 18.48% (December 31, 2015 – 8.92%) of Aston's total outstanding common shares. The Company has assessed its holdings in Aston and determined that it does not hold significant influence in this investment.

b) Maritime Resources Ltd. ("Maritime")

In April 2016, the Company reevaluated its investment in associated company, Maritime, and concluded that significant influence no longer existed due to an evaluation of the consideration factors: Commander has (i) no representation on Maritime's board of directors, (ii) no longer any involvement in business decision making processes, (iii) no longer an interchange of management personnel, and (iv) no provision of essential technical information. As a result, as of April 1, 2016, Maritime ceased to be an associated company and the investment in Maritime has been designated as an available-for-sale financial asset measured at fair value with changes in fair value recognized in accumulated other comprehensive income.

In April 2016, Commander sold 1,000,000 Maritime shares at \$0.14 per share (Note 5) resulting in proceeds of \$140,000. In August 2016, a total of 1,500,000 Maritime shares (Note 5) were sold to Maritime as follows: i) 1,000,000 shares were sold at \$0.14 per share and 500,000 shares sold at \$0.21 per share, generating proceeds of \$245,000. At December 31, 2016, Commander owned 6,944,000 Maritime shares representing 11.78% (December 31, 2015 – 26.33%) of Maritime's total outstanding common shares.

## 5. INVESTMENT IN ASSOCIATED COMPANY

As disclosed in Note 4 (b), as of April 1, 2016, Maritime ceased to be an associated company of Commander as Commander does not have significant influence over Maritime's operations. The security holdings in Maritime are designated as an available-for-sale investment. Prior to the cessation date, the investment in Maritime was being accounted for using the equity method and included a pro-rata share of Maritime's change in net assets for each reporting period.

### Option to Purchase Shares Agreement

On April 6, 2016, an existing Option Agreement between the Company and Maritime was amended regarding the time frames and purchase prices of 8,000,000 Maritime shares that Maritime or its nominees had the option to purchase from the Company.

The details of the amended agreement are as follows:

| <b>Optioned Shares (Tranches)</b>  | <b>Time Frame and Conditions</b>  |
|--|---|
| <ul style="list-style-type: none"> <li>- Up to 2,000,000 shares; plus</li> <li>- 1,500,000 shares carried forward</li> </ul>                     | <ul style="list-style-type: none"> <li>- On or before February 28, 2017.</li> <li>- At a price equal to the greater of (i) \$0.25 per share, and (ii) 85% of the volume weighted average price of Maritime's shares for the 10 trading days immediately preceding the date exercise.</li> </ul>   |
| <ul style="list-style-type: none"> <li>- Up to 2,000,000 shares; plus</li> <li>- Any shares carried forward from the previous tranche</li> </ul> | <ul style="list-style-type: none"> <li>- March 1, 2017 to August 31, 2017.</li> <li>- At a price equal to the greater of (i) \$0.30 per share, and (ii) 85% of the volume weighted average price of Maritime's shares for the 10 trading days immediately preceding the date exercise.</li> </ul> |

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The Option to Purchase Shares Agreement gives rise to a derivative liability, which as at December 31, 2016, is determined to be a nominal amount.

The Company's investment in associated company as at December 31, 2016 and 2015 was as follows:

|   | Number of shares  | Amount              |
|---|-------------------|---------------------|
| <b>Balance, December 31, 2014</b>                         | <b>11,444,000</b> | <b>\$ 2,174,275</b> |
| Share of loss of Maritime                                 | -                 | (130,338)           |
| Disposition of Maritime shares                            | (2,000,000)       | (379,985)           |
| <b>Balance, December 31, 2015</b>                         | <b>9,444,000</b>  | <b>\$ 1,663,952</b> |
| Share of loss of Maritime                                 | -                 | (31,448)            |
| Loss on transfer of investment in Maritime <sup>(a)</sup> | -                 | (310,344)           |
| Reclassified to investment in securities (Note 4)         | (9,444,000)       | (1,322,160)         |
| <b>Balance, December 31, 2016</b>                         | <b>-</b>          | <b>\$ -</b>         |

<sup>(a)</sup> On April 1, 2016, the fair value of the Maritime common shares was \$1,322,160, resulting in a realized loss on investment in associated company of \$310,344 upon transfer to investment in securities.

In February 2015, Maritime identified third parties to purchase 2,000,000 shares at \$0.18 per share generating proceeds of \$355,973 net of commission. A loss on disposal of \$24,012 was recognized during the year ended December 31, 2015.

A summary of Maritime's financial information unadjusted for the percentage ownership held by the Company as at December 31, 2015 was as follows:

|                     | December 31, 2015 |
|---------------------|-------------------|
| <b>Assets</b>       |                   |
| Current assets      | \$ 9,157          |
| Non-current assets  | 4,924,533         |
|                     | <b>4,933,690</b>  |
| <b>Liabilities</b>  |                   |
| Current liabilities | 723,366           |
|                     | <b>723,366</b>    |
| Loss for the year   | \$ 677,075        |



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**6. EXPLORATION AND EVALUATION ASSETS**

Commander's exploration and evaluation assets are located in Canada and Mexico. As at December 31, 2016, the cumulative expenditures on exploration and evaluation assets were as follows:

| Note                       | BC                |                 |            | Yukon      | Labrador                | Nunavut    | Mexico     | Other Properties 6(e) | Total        |
|----------------------------|-------------------|-----------------|------------|------------|-------------------------|------------|------------|-----------------------|--------------|
|                            | October Dome 6(a) | Mt. Polley 6(a) | Rebel 6(b) | Flume 6(a) | South Voisey's Bay 6(c) | Storm 6(d) | Pedro 6(a) |                       |              |
| Balance, December 31, 2014 | \$ -              | \$ -            | \$ -       | \$ -       | \$ 2,301,132            | \$ 688,538 | \$ -       | \$ 1,137,130          | \$ 4,126,801 |
| Acquisition costs          | -                 | -               | -          | -          | -                       | -          | -          | 10,200                | 10,200       |
| Exploration costs          |                   |                 |            |            |                         |            |            |                       |              |
| Geology                    | -                 | -               | -          | -          | 3,150                   | -          | -          | -                     | 3,150        |
| Property                   | -                 | -               | -          | -          | 434                     | -          | -          | 3,953                 | 4,387        |
|                            | -                 | -               | -          | -          | 3,584                   | -          | -          | 3,953                 | 7,537        |
| Recoveries                 | -                 | -               | -          | -          | (78,559)                | -          | -          | -                     | (78,559)     |
| Impairment                 | -                 | -               | -          | -          | -                       | -          | -          | (14,153)              | (14,153)     |
| Incurring during the year  | -                 | -               | -          | -          | (74,975)                | -          | -          | -                     | (74,975)     |
| Balance, December 31, 2015 | \$ -              | \$ -            | \$ -       | \$ -       | \$ 2,226,157            | \$ 688,538 | \$ -       | \$ 1,137,131          | \$ 4,051,826 |
| Acquisition costs          | 574,122           | 36,429          | 8,088      | 68,348     | -                       | -          | 1          | -                     | 686,988      |
| Exploration costs          |                   |                 |            |            |                         |            |            |                       |              |
| Geology and others         | 675               | -               | 4,637      | -          | -                       | -          | -          | 10,867                | 16,179       |
| Permits and licenses       | -                 | 500             | -          | -          | -                       | -          | -          | (8,354)               | (7,854)      |
| Travel                     | 2,788             | -               | -          | -          | -                       | -          | -          | 1,859                 | 4,647        |
| Camp cleanup               | -                 | -               | -          | -          | -                       | -          | -          | 50,000                | 50,000       |
| Others                     | -                 | -               | -          | -          | -                       | -          | -          | 1,200                 | 1,200        |
|                            | 3,463             | 500             | 4,637      | -          | -                       | -          | -          | 55,572                | 64,172       |
| Impairment                 | -                 | -               | -          | -          | -                       | -          | -          | (1,142,699)           | (1,142,699)  |
| Sale of property           | -                 | -               | -          | -          | -                       | (688,538)  | -          | -                     | (688,538)    |
| Incurring during the year  | 577,585           | 36,929          | 12,725     | 68,348     | -                       | (688,538)  | 1          | (1,087,127)           | (1,080,077)  |
| Balance, December 31, 2016 | \$ 577,585        | \$ 36,929       | \$ 12,725  | \$ 68,348  | \$ 2,226,157            | \$ -       | \$ 1       | \$ 50,004             | \$ 2,971,749 |

**a. Bearing Asset Acquisition**

On September 23, 2016, the Company acquired 100% of the issued and outstanding share capital of Bearing Resources Ltd. ("Bearing") and Bearing's wholly owned subsidiary BRZ Mex Holdings Ltd. ("BRZM") and Minera BRG SA de CV ("Minera BRG") (the "Transaction"). The asset acquisition was a related party transaction with the Chief Executive Officer being a common Executive/Director for both Bearing and Commander (see Note 8).

The Transaction was treated as an asset acquisition. Consideration for the transaction consisted of the following:

|   |                   |
|---|-------------------|
| Issuance of 12,000,000 common shares of the Company | \$ 660,000        |
| Cash payment  | 18,900            |
|   | <u>\$ 678,900</u> |

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BRZM and Minera BRG own a 100% interest in four exploration stage properties in Canada and Mexico: October Dome, Mt. Polley, Flume and Pedro. As there were no other significant assets or liabilities acquired in the acquisition, the consideration was allocated to the exploration and evaluation assets acquired as follows:

|              |                   |
|--------------|-------------------|
| October Dome | \$ 574,122        |
| Mt. Polley   | 36,429            |
| Flume        | 68,348            |
| Pedro        | 1                 |
|              | <u>\$ 678,900</u> |

As part of the acquisition, the Company also acquired royalty interests as follows:

- Jay East Royalty with Precipitate Gold – 2% NSR with a right to buy down to 1% for \$1,000,000
- VF Royalty with Aben Resources - 2% NSR with a right to buy down to 1% for \$1,500,000 and \$15,000 annual advance royalty payments beginning March 1,2018
- Boundary Zone Royalty with Imperial Metals - 90% interest in a royalty (Glengarry 10%) of \$2.50 per tonne milled for first 400,000 tonnes thereafter \$1.25/tonne milled. This second rate can be bought down/reduced to \$0.62 per tonne milled for \$1,000,000

**b. Rebel, British Columbia (“BC”)**

In November 2016, the Company acquired the Rebel zinc and lead property by way of staking.

**c. South Voisey’s Bay, Labrador**

In September 2014, the Company signed an Option Agreement (“Agreement”) with Fjordland Exploration Inc., (“Fjordland”) granting it an option to earn up to a 70% interest in the nickel project (which was later amended to 75%) for certain exploration expenditure commitments, and share issuance commitments of Fjordland shares. In August 2015, the option agreement was terminated. In December 2015, the Company and Fjordland agreed that Fjordland had earned a 15% interest in the project. On March 23, 2016, Commander transferred 15% interest of the project to Fjordland.

The Company received from Fjordland a total of \$350,000 (2015 - \$78,000; 2014 - \$272,000), of which \$331,370 had been expended on the property. As the project operator, the Company earned management fees of \$1,015 during the year ended December 31, 2016 (2015 - \$6,711) which were included in interest and miscellaneous income. At December 31, 2016, the remaining advance on the project account was \$18,630 (December 31, 2015 - \$30,268).

**d. Storm Property**

On February 18, 2016, the Company completed a sale transaction with Aston and received 11,000,000 common shares with a fair value of \$2,640,000. As a result, a gain of \$1,951,462 was recognized on the sale transaction. The Aston shares are held in a four-year escrow (see Note 4(a)).

Commander retains a 0.875% Gross Overriding Royalty (“GOR”) after the property is brought into production. Aston has the right to buy down the GOR from 0.875% to 0.4% for \$4,000,000.

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**e. Other Properties**

The Company holds interests in other properties in Canada. The carrying values of these 100% wholly owned properties are as follows:

| <b>Province</b>         | <b>Property</b>      | <b>Resource</b> | <b>December 31,<br/>2016</b> | <b>December 31,<br/>2015</b> |
|-------------------------|----------------------|-----------------|------------------------------|------------------------------|
| <b>New Brunswick</b>    | Nepisiguit / Stewart | copper-zinc     | \$ -                         | \$ 1,133,626                 |
| <b>Newfoundland</b>     | Hermitage            | uranium         | -                            | 3,500                        |
| <b>Ontario</b>          | Sabin                | copper-zinc     | 1                            | 1                            |
| <b>Nunavut</b>          | Baffin               | gold            | 50,001                       | 1                            |
| <b>Yukon</b>            | Olympic / Rob        | copper-gold     | 1                            | 1                            |
| <b>Yukon</b>            | Glenmorangie         | gold            | -                            | 1                            |
| <b>British Columbia</b> | Omineca              | copper-gold     | 1                            | 1                            |
|                         |                      |                 | <b>\$ 50,004</b>             | <b>\$ 1,137,131</b>          |

During the year the Company wrote-off exploration and evaluation assets in the amount of \$1,142,699. This is comprised of \$1,133,626 of Nepisiguit/Stewart costs incurred to December 31, 2015, plus aggregate costs incurred during the year ended December 31, 2016, of \$9,073, on Hermitage, Glenmorangie, and Omineca.

**Nepisiguit/Stewart, New Brunswick**

The Company owns 100% of the properties subject to a 2.75% NSR retained by the Optionor. The NSR is subject to a buy-down to 1% NSR for \$1,500,000.

**Hermitage, Newfoundland**

The Company owns 100% of the Hermitage property subject to a 2% NSR for the original property owners. 50% of the NSR may be purchased for \$1,000,000.

**Sabin, Ontario**

The Company's ownership interests on the property vary from 58.5% to 100%. The Company decided not to conduct further exploration on the property.

**Baffin, Nunavut**

During the year ended December 31, 2015, the Company received a cost refund of \$10,947 from a supplier. This amount was recognized as a recovery on exploration and evaluation assets. Non-core claims were not renewed in 2015.

In December 2016, an exploration agreement with the Nunavut Tungasuvvingat Inc., was reached. The exploration agreement allows the Company the right to explore specified exploration areas for a term of one year, which is renewable for successive one year terms.

The Baffin project has been inactive since 2013. The exploration camp over this period was subject to damage from weather and the Company received government notice for site cleanup. In November 2016, the Company filed a Remedial Action Plan with the government authorities. The costs for the cleanup were estimated at \$50,000, and are accrued and capitalized to exploration and evaluation assets.

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**Olympic and Rob, Yukon**

The Company owns 100% interest in the Olympic and Rob properties subject to a 1% NSR registered to Blackstone Ventures Inc., on the Rob property. The NSR may be reduced to 0.5% at any time for \$1,000,000. The carrying value was historically written off as the project lies within a proposed environmentally protected area. The underlying mineral claims remain in good standing until January 1, 2018.

**Glenmorangie, Yukon**

The Company had the option to earn a 100% interest in the Glenmorangie gold project through common share issuances, cash payments, and specified exploration expenditures. During the year ended December 31, 2015, the Company wrote off \$10,200 as it did not intend to carry future exploration activities. On June 30, 2016, the Company allowed the option to lapse and returned the property to the Optionors.

**Omineca, BC**

The Company owns 100% of the property located within the Quesnel Trough of BC. The vendor retains a 1% net smelter return royalty ("NSR") and will participate in certain cash or share considerations received from the future sale or option of the properties to a third party.

**Tam, BC**

The Company is entitled to a 1.5% NSR on the property. Teck Resources Ltd. and its partner, Lorraine Copper Corp., now own 100% of the property subject to a 3% NSR, which is subject to a buy-down to 1% for \$2,000,000. An annual advance royalty payment of \$25,000 is payable to the Company beginning December 31, 2012 and capped at \$250,000. As of December 31, 2016, the Company has received a total of \$125,000 in advance royalty payments which are recorded as royalty income.

## 7. SHARE CAPITAL

**Authorized** - unlimited number of common shares without par value

**Issued and outstanding** - 115,302,521 (2015 – 103,302,521) common shares were issued and outstanding.

*During the year ended December 31, 2016:*

- On September 23, 2016, 12,000,000 common shares at a fair value of \$660,000 were issued for the Bearing asset acquisition (Note 6 (a)).

*During the year ended December 31, 2015:*

- On July 20, 2015, 510,000 common shares at a fair value of \$10,200 were issued for the acquisition of the Glenmorangie property (Note 6 (e)).

**Stock options**

Under the Company's stock option plan, it may grant stock options for the purchase of up to 18,000,000 common shares. Options granted to directors, employees and consultants have a five-year term and the exercise prices and the vesting periods are determined by the Board of Directors at the time of the option grant.

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The Company's outstanding stock options for 2016 and 2015 are as follows:

|                                    | <u>December 31, 2016</u> |               | <u>December 31, 2015</u> |              |
|------------------------------------|--------------------------|---------------|--------------------------|--------------|
|                                    | Weighted average         |               | Weighted average         |              |
|                                    | Number                   | Exercise      | Number                   | Exercise     |
|                                    | <u>outstanding</u>       | <u>Price</u>  | <u>outstanding</u>       | <u>Price</u> |
| Outstanding, beginning of year     | 7,305,000                | \$0.09        | 6,546,000                | \$0.15       |
| Granted                            | 5,300,000                | 0.05          | 2,600,000                | 0.05         |
| Expired <sup>(1)</sup> / cancelled | (1,430,000)              | (0.19)        | (1,841,000)              | (0.27)       |
| Outstanding, end of year           | <b>11,175,000</b>        | <b>\$0.06</b> | 7,305,000                | \$0.09       |

<sup>(1)</sup>The fair value of these expired options of \$199,101 (2015 - \$318,578) was reclassified to deficit from share-based payments reserve.

At December 31, 2016, the Company's outstanding and exercisable stock options are as follows:

| Expiry date       | Options outstanding | Options exercisable | Exercise price | Weighted average                     |
|-------------------|---------------------|---------------------|----------------|--------------------------------------|
|                   |                     |                     |                | remaining contractual life (in year) |
| June 12, 2017     | 1,005,000           | 1,005,000           | \$ 0.10        | 0.45                                 |
| November 14, 2017 | 400,000             | 400,000             | \$ 0.10        | 0.87                                 |
| February 7, 2019  | 1,870,000           | 1,870,000           | \$ 0.05        | 2.11                                 |
| July 17, 2020     | 2,600,000           | 2,600,000           | \$ 0.05        | 3.54                                 |
| March 16, 2021    | 4,000,000           | 4,000,000           | \$ 0.05        | 4.21                                 |
| June 9, 2021      | 1,300,000           | 1,250,000           | \$ 0.05        | 4.44                                 |
|                   | <b>11,175,000</b>   | <b>11,125,000</b>   |                | <b>3.26</b>                          |

The fair values of stock options granted during the years ended December 31, 2016 and 2015 were calculated using the Black-Scholes option pricing model with the following assumptions:

|                                       | <u>2016</u>     | <u>2015</u> |
|---------------------------------------|-----------------|-------------|
| Risk-free interest rate               | <b>0.703%</b>   | 0.83%       |
| Expected annual volatility            | <b>108.99%</b>  | 99.47%      |
| Expected life (in year)               | <b>5</b>        | 5           |
| Expected dividend yield               | <b>0.00%</b>    | 0.00%       |
| Forfeiture rate                       | <b>0.00%</b>    | 0.00%       |
| Weighted average fair value of option | <b>\$ 0.026</b> | \$ 0.012    |

Expected volatility was determined based on the historical movements in the closing price of the Company's common shares for a length of time equal to the expected life of each option.

During the year ended December 31, 2016 and 2015, the Company recognized share-based payments expense of \$136,560 and \$28,912, respectively.

**Warrants**

At December 31, 2016, 2,000,000 (2015 – 2,000,000) warrants were outstanding with an exercise price of \$0.05 and an expiry date on October 20, 2017. The warrants reserve balance of \$40,000 represents the residual value of these warrants recognized on the date of issuance. There was no warrant activity during the years ended December 31, 2016 and 2015.

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**8. RELATED PARTY TRANSACTIONS**

**Mineral Asset Acquisition**

On September 23, 2016, the Company acquired 100% of the issued and outstanding share capital of Bearing Resources Ltd. ("Bearing") and Bearing's wholly owned subsidiary BRZ Mex Holdings Ltd. and Minera BRG SA de CV (the "Transaction"). The asset acquisition was a related party transaction with the Chief Executive Officer being a common Executive/Director for both Bearing and Commander (see Note 6(a)).

**Services**

The Company's related parties consist of companies controlled by certain of the Company's Directors. The fees and expenses with those companies for the years ended December 31, 2016 and 2015 are as follows:

|                           | 2016             | 2015      |
|---------------------------|------------------|-----------|
| Legal                     | \$ -             | \$ 2,347  |
| Administration and others | <b>37,963</b>    | 25,808    |
|                           | <b>\$ 37,963</b> | \$ 28,155 |

At December 31, 2016, the Company did not have any amounts owed to related parties (2015 – \$17,134).

**Compensation of key management**

Key management includes the Company's Directors, the President and Chief Executive Officer, VP Exploration, VP Corporate Development, Chief Financial Officer and Corporate Secretary. Their remuneration, including share-based payments is as follows:

|  | Nature of<br>Compensation          | 2016              | 2015       |
|--|------------------------------------|-------------------|------------|
| President and Chief Executive Officer          | Salary and benefits;<br>consulting | <b>\$ 107,198</b> | \$ -       |
| President and Chief Executive Officer (former) | Salaries and benefits              | -                 | 92,591     |
| Vice President, Corporate Development          | Consulting                         | <b>30,000</b>     | 15,750     |
| Vice President, Exploration <sup>(1)</sup>     | Consulting                         | <b>28,306</b>     | -          |
| Chief Financial Officer                        | Accounting and audit               | <b>34,500</b>     | 7,500      |
| Chief Financial Officer (former)               | Consulting                         | -                 | 46,756     |
| Corporate Secretary                            | Consulting                         | <b>28,500</b>     | 18,000     |
| Director (former)                              | Consulting                         | <b>11,000</b>     | -          |
|  |                                    | <b>239,504</b>    | 180,597    |
| Share -based payments                          | Stock option                       | <b>136,560</b>    | 28,863     |
|  |                                    | <b>\$ 376,064</b> | \$ 209,460 |

<sup>(1)</sup> \$10,806 of the consulting fees was related to geological consulting in exploration and evaluation assets and the \$17,500 were for the fees as the VP Exploration.

**9. COMMITMENT**

The Company has a commitment of \$22,200 for its Vancouver office lease which expires on August 31, 2017. Commander is obligated to make monthly payments of \$2,775 per month. The Company has the option to terminate the lease with two months' notice.

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**10. SUPPLEMENTAL CASH FLOW INFORMATION**

|  | 2016         | 2015    |
|--|--------------|---------|
| Marketable securities received for exploration and evaluation assets (Note 6(c)) | \$ 2,640,000 | \$ -    |
| Shares issued for exploration and evaluation assets (Note 6(a))                  | 660,000      | 10,200  |
| Reclassification of grant date fair value on expired options (Note 7)            | 199,101      | 318,578 |
| Exploration and evaluation assets in accounts payable and accrued liabilities    | 50,000       | 55,723  |
| Other cash flow information:   |              |         |
| Interest received  | \$ 4,737     | \$ 122  |
| Income tax paid  | -            | -       |

**11. SEGMENT INFORMATION**

The Company operates in one single reportable segment, being the acquisition and exploration of resource properties. The Company's non-current assets are located in Canada and Mexico. The carrying value of the Company's non-current assets in Mexico total \$1. The carrying value of the Company's non-current assets in Canada total \$5,364,248.

**12. CAPITAL MANAGEMENT**

The Company defines its capital as all components of equity. The Company manages its capital structure by maintaining adequate funds to support the acquisition and exploration of minerals assets. The Board of Directors does not establish a quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. There were no changes in the Company's approach to capital management during the year ended December 31, 2016. The Company is not subject to externally imposed capital requirements.

**13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Fair value**

The Company has classified its financial instruments as follows:

- Cash and cash equivalents – as FVTPL
- Investment in securities – as AFS
- Amounts receivable – as loans and receivables
- Accounts payable and accrued liabilities and advance from optionee – as other financial liabilities

The carrying values of amounts receivable, accounts payable and accrued liabilities, and advance from optionee approximate their fair values due to the short-term to maturity of these financial instruments. The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value. The Company's cash and cash equivalents, and investment in securities are classified as a level 1 financial asset. The fair value hierarchy is as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities to ensure it will have sufficient liquidity to meet obligations. At December 31, 2016, the

**COMMANDER RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
*(EXPRESSED IN CANADIAN DOLLARS)*

Company had cash and cash equivalents of \$998,429 and working capital of \$2,701,559. The Company has sufficient funds to continue operations for the next twelve months.

**Credit risk**

Credit risk is the risk that if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is equal to the carrying value of cash and cash equivalents and amounts receivable. Amounts receivable primarily comprises GST receivable. To minimize the credit risk, Commander places cash and cash equivalents at high credit rating financial institution.

**Price risk and foreign currency risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to price risk with respect to its investment in securities. A 10% change in the share prices would affect the investments and comprehensive loss by approximately \$416,216. During the year ended December 31, 2016, the Company acquired exploration and evaluation assets located in Mexico (Note 6(a)) and may be subject to future foreign currency risk. The risk as at December 31, 2016, is insignificant.

**14. INCOME TAX**

A reconciliation of income taxes at statutory rate with the reported taxes is as follows:

|   | <b>2016</b> | <b>2015</b>  |
|---|-------------|--------------|
| Loss for the year                                       | \$ 782,829  | \$ (439,214) |
| Expected income tax expense (recovery)                  | \$ 204,000  | \$ (114,000) |
| Change in statutory tax rates and other                 | 143,000     | 192,000      |
| Permanent differences                                   | 51,000      | 45,000       |
| Change in unrecognized deductible temporary differences | (398,000)   | (123,000)    |
| <b>Total income tax expense</b>                         | <b>\$ -</b> | <b>\$ -</b>  |

The significant components of the Company's deferred tax assets that have not been included on the statement of financial position are as follows:

|   | <b>2016</b>  | <b>2015</b>  |
|---|--------------|--------------|
| Deferred tax assets (liabilities)               |              |              |
| Exploration and evaluation assets               | \$ 1,283,000 | \$ 1,195,000 |
| Investment tax credit                           | 236,000      | 236,000      |
| Equipment                                       | 64,000       | 65,000       |
| Share issue costs                               | 1,000        | 1,000        |
| Investment in associated company                | -            | 34,000       |
| Investment in securities                        | (42,000)     | (42,000)     |
| Allowable capital losses                        | -            | 10,000       |
| Non-capital losses available for future periods | 1,109,000    | 1,550,000    |
|   | 2,651,000    | 3,049,000    |
| Unrecognized                                    | (2,651,000)  | (3,049,000)  |
| <b>Net deferred tax assets (liabilities)</b>    | <b>\$ -</b>  | <b>\$ -</b>  |



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Significant components of the Company's deductible temporary differences and unused tax losses are as follows:

|   | <b>2016</b>  | <b>Expiry Date<br/>Range</b> | <b>2015</b>  | <b>Expiry Date<br/>Range</b> |
|---|--------------|------------------------------|--------------|------------------------------|
| <b>Temporary Differences</b>                    |              |                              |              |                              |
| Exploration and evaluation assets               | \$ 4,933,000 | No expiry date               | \$ 4,598,000 | No expiry date               |
| Investment tax credit                           | 319,000      | 2026 to 2033                 | 319,000      | 2026 to 2033                 |
| Equipment                                       | 245,000      | No expiry date               | 249,000      | No expiry date               |
| Share issue costs                               | 3,000        | 2037 to 2039                 | 4,000        | 2036 to 2038                 |
| Investment in associated company                | -            | No expiry date               | 130,000      | No expiry date               |
| Allowable capital losses                        | -            | No expiry date               | 39,000       | No expiry date               |
| Non-capital losses available for future periods | 3,944,000    | 2027 to 2036                 | 5,639,000    | 2026 to 2035                 |

Tax attributes are subject to review and potential adjustment by tax authorities.



## **Management's Discussion and Analysis**

For the Year ended  
December 31, 2016

## **DESCRIPTION OF BUSINESS**

Commander Resources Ltd. ("Commander" or "the Company") is engaged in the acquisition and exploration of resource properties primarily in Canada. Commander is a reporting issuer in British Columbia and Alberta, and listed on the TSX Venture Exchange under the symbol "CMD".

## **FORWARD-LOOKING INFORMATION AND REPORT DATE**

This Management Discussion and Analysis ("MD&A") contains certain statements that may be deemed forward-looking subject to risks and uncertainties. Readers are cautioned that Commander's actual results may differ materially from results implied by such forward-looking information.

This MD&A has been prepared based on available information up to the date of this report, March 1, 2017 (the "Report Date") and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016. The financial information disclosed in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information is available on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website [www.commandersources.com](http://www.commandersources.com).

## **HIGHLIGHTS OF OPERATIONS**

### **[Acquisition of Mineral Assets from Bearing Resources Ltd.](#)**

On June 23, 2016, Commander and Bearing Resources Ltd. ("Bearing") along with Bearing's wholly-owned subsidiary BRZ Mex Holdings Ltd. ("BRZM") executed an Asset Purchase Agreement (the "Agreement") to acquire 100% of the issued and outstanding shares of BRZM which included BRZM's wholly-owned subsidiary, Minera BRG SA de CV., ("Minera BRG"). BRZM and its subsidiary together hold a 100% interest of four exploration stage properties in Canada and Mexico: October Dome (BC), Mt. Polley (BC), Flume (Yukon) and Pedro (Durango, Mexico). In addition, three royalty interests were also acquired. One of these royalties includes a production-defined royalty on a portion of the Boundary Zone deposit at the Mt. Polley Mine in BC owned by Imperial Metals Corporation.

On September 23, 2016, the transaction in connection with the Agreement was completed. As consideration, the Company issued 12,000,000 common shares valued at \$660,000, \$15,000 in cash, plus \$3,900 (the amount equal to cash holdings of BRZM and Minera BRG, less any outstanding accounts payable due by these entities). The Company has treated this as an asset acquisition with 100% of the consideration being attributed to the exploration and evaluation assets on a pro rata basis based on their historical carrying values. The Commander shares issued to Bearing are subject to a 30-day right of first offer in favour of Commander and Bearing will vote the shares held as directed by Commander's management.

### **[Sale of Storm Property to Aston Bay Holdings Ltd.](#)**

On December 16, 2015, the Company entered into a Purchase Agreement with Aston Bay Holdings Ltd. ("Aston") whereby Aston might purchase 100% interest in the Storm property by issuing 11,000,000 common shares to Commander. On February 18, 2016, Aston completed the acquisition and issued to Commander 11,000,000 shares which are held in a four-year escrow and will be released in four equal tranches of 2,750,000 shares on each anniversary date starting February 18, 2017.

On May 4, 2016, Commander sold 3,500,000 Aston shares (which were acquired and held prior to the Storm Property sale) at \$0.29 per share for net proceeds of \$928,695. As of the Report Date, Commander held 11,000,000 Aston shares representing 18.48% of Aston's total outstanding shares.

### **[Option to Purchase Shares Agreement with Maritime Resources Corp.](#)**

On February 12, 2015, the Company and Maritime entered into an Option to Purchase Shares Agreement ("Option Agreement") granting Maritime or its nominees the option to purchase up to 10,000,000 ("Optioned Shares") of the 11,440,000 common shares that Commander owned.

On April 6, 2016, Commander and Maritime amended the Option Agreement regarding the time frames and purchase prices of 8,000,000 Optioned Shares. As a result, Maritime exercised the option to purchase an initial 2,000,000 shares at \$0.14 per share on or before August 31, 2016 (completed). Maritime now has the option to identify third parties to purchase an additional

2,000,000 shares every 6 months over the next 18 months at escalating prices of \$0.21 (500,000 shares were purchased), \$0.25 and \$0.30 per share. The final two option prices are further subject to the price being the greater of the option price or 85% of the volume-weighted average price of the common shares for the 10 trading days immediately preceding the applicable option exercise date.

## **EXPLORATION AND EVALUATION ASSETS**

Bernard Kahlert, P.Eng., the Company's Qualified Person under National Instrument 43-101, has reviewed and approved the technical information presented in this MD&A.

### **MEXICO**

#### **Pedro Property, Durango**

The wholly owned Pedro claims are located approximately 100 kilometres from the city of Torreon. Pedro is comprised of a number of targets including the HP Breccia prospect, a gold soil anomaly extending over a 1,800 x 600m area that coincides with extensive silicified sedimentary breccias and conglomerate, and the Las Lajas gold prospect.

In July 2014, Newmont de Mexico, S.A de C.V terminated an option agreement with Bearing Resources over the Pedro claims. The drill program comprised 11 drill holes totaling 1,744 metres, of which two holes (409 metres) were cored and the remaining drilled by reverse circulation. Areas tested included the HP breccia prospect and its northern extension, a distance of approximately three kilometres. The best results were encountered in hole LP-013-R that returned a core length of 10.5 metres grading 0.51 gram per tonne gold from silicified conglomerate of the Ahuichila formation. For full details of the drill program reference should be made to Bearing Resources news release dated July 3, 2014.

### **CANADA**

#### **October Dome Property, British Columbia ("BC")**

The 100% owned October Dome gold property, is located in the "Quesnel Trough" in central BC, near the town of Likely. The October Dome property is located 10km north of Imperial Metals Corporation's ("Imperial") Mt. Polley porphyry copper gold mine property and 7 km to the southeast of Barkerville Gold Mines Ltd.'s QR skarn gold mine property. The October Dome claims are subject to net smelter return ("NSR") royalties of between 1.5% and 2%. The October Dome target is defined by a grid area of some 4.0 km by 1.1 km that has been surveyed by magnetic and Induced Polarization ("IP") surveys and soil geochemistry. In 2013 Bearing completed a 1,086-metre (six holes) diamond drill program targeting the northern end of a four-kilometre-long gold and arsenic soil anomaly that is coincident with an induced polarization (IP) chargeability anomaly. Holes OD-5 through OD-7 encountered diorite and monzonite intrusions within hornfelsed sediments and propylitized basalts. Hole OD-6 encountered a 15-metre core length of massive magnetite skarn with semi-massive pyrite layers accompanied by chalcopyrite, epidote and garnet at the sediment/basalt contact. A nine-metre section of this skarn assayed 0.7 gram per tonne gold, including a three-metre length that returned 1.3 g/t Au. For full details of the drill program reference should be made to Bearing Resources news release dated December 3, 2013.

#### **Mt. Polley Property, BC**

The Mt. Polley properties are located adjacent to Imperial's Mt. Polley open-pit copper gold mine, which is approximately 100 km northeast of Williams Lake, BC. The claims are subject to a NSR of up to 2%. The Mt. Polley properties had previously included an additional area (~37 hectares) adjacent to Imperial's Boundary Zone that was sold to Imperial and over which the Company retains a royalty. The royalty is \$2.50 per tonne for the first 400,000 tonnes of material milled and the \$1.25 per tonne for all tonnes milled in excess of 400,000 tonnes. The royalty per tonne in excess of 400,000 tonnes milled can be reduced to \$0.62 per tonne by Imperial making a payment of \$1 million. The Company is entitled to 90% of the royalty payments. Three royalty payments were received by Bearing in Q1 2012. Commander recently completed a program of re-sampling of historical core. Results are pending.

**Rebel Property, BC**

In November 2016, the Company acquired the Rebel zinc and lead property by way of staking. The 1,620-hectare Rebel property occurs on the southern end of the Kechika trough, a geological feature that is host to numerous sedimentary exhalative (sedex) zinc-lead-silver-boron deposits and showings and covers the Rebel prospect. Public records indicate that it was first identified in 1979 when prospectors working for Esperanza Explorations discovered a 40-metre horizon of interbedded massive pyrite beds and black shale. Esso Resources optioned the property and over the next several years conducted geological mapping, stream, soil and rock sampling as well as various geophysical surveys concluding with five short diamond drill holes in 1982, none of which tested the pyrite horizon. Most of these data are unavailable. In 1994, Teck Resources completed geological mapping and extended the Esso soil grid to the west.

Compilation of available public domain data shows a 1.7-kilometre lead-in-soil (40-part-per-million cut-off) anomaly that is partially coincident with the massive pyrite and ferricrete outcrops. Reported assays from the massive pyrite zone contain low to anomalous Pb, Zn and Ba with the best sample being 0.5 per cent Zn, 0.2 per cent Pb and 24.6 grams per tonne Ag.

A field program is planned for 2017.

**Flume Property, Yukon**

Most recent work on the Flume property was by Ryan Gold Corp ("RGC") who in May 2013 terminated its option on the property after undertaking over \$2.5 million in expenditures (including a nine diamond drill hole (2,307m) program in November 2012). The results included the highlight hole F12-006 which included 2m of 5.76 g/t Au. For full details of the drill results, reference should be made to RGC's news release dated November 6, 2012. In December 2014, Bearing excised its underlying option to acquire the Flume property from Freeport Exploration Canada limited wherein the final payment was waived subject to an additional 0.5% NSR on the property. The Flume property is now subject to a 2.5% NSR.

**Storm Property, Nunavut**

In November 2011, the Company entered into an option agreement (the "Agreement") with Aston Bay Holdings Ltd. ("Aston"), which allowed Aston to earn an initial 50.1% interest in the property. In December 2015, the Company entered into a Sale Agreement with Aston whereby Aston might acquire 100% interest in the Storm property by issuing 11,000,000 common shares to Commander.

On February 18, 2016, the Company completed the sale transaction with Aston and received 11,000,000 common shares with a fair value of \$2,640,000. These shares are pooled and will be released in four equal tranches of 2,750,000 shares on each anniversary date starting February 18, 2017 to 2020.

Commander retains a 0.875% Gross Overriding Royalty ("GOR") after the property is brought into production. Aston has the right to buy down the GOR from 0.875% to 0.4% for \$4,000,000.

**South Voisey's Bay Property, Labrador**

The South Voisey's Bay property is located in central Labrador approximately 80 km due south of the operating Voisey's Bay nickel mine and covers parts of the Pants Lake gabbro complex in the South Voisey's Bay area. The Pants Lake Complex contains host rocks with alteration and nickel mineralization styles that are similar to the Voisey's Bay hosts.

In September 2014, Commander signed a Memorandum of Understanding ("MOU") granting Fjordland Exploration Inc. an option to earn into Commander's South Voisey's Bay nickel property. The Option Agreement provided Fjordland the right to earn up to a 70% interest in Commander's wholly owned South Voisey's Bay Property, located, by funding \$5,500,000 in exploration expenditures, and issuing a total of 2,250,000 shares to Commander. Upon signing the agreement Fjordland subscribed for 2,000,000 shares of Commander at a price of \$0.05, for net proceeds to Commander of \$100,000.

In November 2014, Commander (as Operator) mobilized a crew to Hopedale, Labrador to conduct UTEM and ground mag surveys over the most prospective areas of the claims. The cost of the program was approximately \$250,000 and was completed by mid-

December. The ground UTEM covered an area 2.5 km by 2.6 km, with a total of 22.5 line km's surveyed, and the ground mag survey covered 42 line-km. Results of the late 2014 UTEM – EM survey have outlined an intense horizontal conductor and 4 strong sub-vertical conductors near the Worm Gabbro (see News Release dated March 2, 2015).

In December 2014, the MOU was amended to enable Fjordland to earn up to 75% interest in the property by increasing the Initial Work Commitment from \$250,000 to \$350,000 and increasing the Initial Option interest from 10% to 15%. Fjordland has accordingly earned a 15% interest in the project. In August 2015, the Option Agreement was terminated. On March 23, 2016, Commander transferred 15% interest in the project to Fjordland.

#### [Sabin Property, Ontario](#)

The property is located at the north margin of the mineral-rich Sturgeon Lake Greenstone belt of Archean metavolcanic and metasedimentary rocks in the Wabigoon Sub-Province of the Superior Province, 400 km northwest of Thunder Bay, Ontario. The property is known to host a VMS base-precious metal deposit called the Marchington Zone.

As the Company decided not to conduct further exploration on the property except maintaining the claims, the Company wrote off \$3,955 during the year ended December 31, 2015.

Recently the company has begun a desktop compilation of all pre-existing and historical exploration data. A site visit was completed in the September that comprised limited geological mapping and GPS surveying of historical drill sites.

#### [Nepisiquit-Stewart Property, New Brunswick](#)

In August 2010, Commander optioned the Nepisiquit property to Stratabound Minerals for shares of Stratabound and work commitments. Stratabound could earn an initial 60% interest in the property. Stratabound carried out option work until 2014.

In May 2015, Stratabound announced a business combination with Silver Stream Mining Corp. Stratabound under the new management decided not to continue with the project. As a result, the project costs of \$1,131,626 were written off to profit and loss in 2016.

#### [Omineca Property, BC](#)

The property is located in North Central BC within the prolific copper-gold producing Quesnel terrane.

2012's field program on the Omineca project included reconnaissance prospecting, mapping and geochemical sampling, which identified high copper and gold soil geochemistry within the Abe property. An overlapping anomalous zone of >1,000 ppm Cu (0.1%) in soils and up to 250 ppb Au in soils (0.25 g/t Au) covers over 1.8 km in extent. Anomalous gold values (>50 ppb) extend a further 1.5 km beyond this zone. This gold-copper zone has not been drill tested. In 2015, the claim holdings were reviewed in light of work or cash payment requirements and some non-core claims were not renewed.

During the year ended December 31, 2014, the Company decided not to conduct exploration of the Omineca Properties, but maintained the claims. As a result, the Company wrote off \$230,446 to profit and loss in 2014.

#### [Baffin Island Project, Nunavut](#)

This property has yielded discovery of numerous orogenic gold occurrences over 10 years in several geological environments permissive to hosting major gold deposits. Approximately 18,000 m of drilling has been carried out over three prospective areas, known as Malrok, Ridge Lake and Kanosak, with appreciable gold intersections.

Non-core claims were not renewed in 2015. In 2016, a new exploration agreement with the Nunavut Tungasuvvingat Inc. was applied for and agreement was reached and signed in December 2016. The new exploration agreement covers the previously explored Malrock, Ridge Lake and Kanosak targets.

The Baffin project has been inactive since 2013. The exploration camp over this period was subject to damage from weather and the Company received government notice for site cleanup. In November 2016, the Company filed a cleanup plan with the government authorities. The costs for the cleanup were estimated at \$50,000 and accrued in the property costs.

The company has begun a desktop review and compilation of the extensive historical work completed on the project.

#### Olympic Property, Yukon

The property covers a very large (+10 km) hematite breccia complex with numerous copper and copper-gold showings, which are similar in style and age to the Olympic Dam deposit in Australia. Two deep seated magnetic blocks have recently been identified which underlie the western portion of the breccia complex based on ground magnetic surveys. Although some drilling has been completed at Olympic, these new targets have not been evaluated or tested.

The Olympic property is located just within the proposed boundary of the Peel Watershed Plan. In 2014 the Yukon Government presented its plan for the Peel Watershed area. It now encompasses the Olympic Rob Property in a Protected Area designation that could impact the company's ability to access or develop a mine at that site. Request for relief from assessment work was applied for due to the uncertainties surrounding the Peel Watershed plan. The plan has not yet been finalized and is subject to further challenges.

In April 2016, the Yukon Government provided additional relief from assessment work due to the uncertainties surrounding the Peel Watershed plan and the claims are now in good standing until January 1, 2018.

#### Glenmorangie Property, Yukon

The property was acquired by Commander through an option agreement with a prospector syndicate (the "Optionors") in May 2011. During the year ended December 31, 2015, the Company decided not to conduct further exploration of the property but maintained the claims. As a result, the Company wrote off \$10,200 to profit and loss in 2015.

On June 30, 2016, the company allowed the option to lapse and returned the property to the vendors. No costs were incurred in 2016.

#### **INVESTMENT IN ASSOCIATED COMPANY**

Up until March 31, 2016, Commander held more than 20% of the voting power of Maritime Resources Corp. ("Maritime") through its share ownership. Accordingly, Commander was deemed to have significant influence over Maritime's operations. The investment in Maritime had been accounted for using the equity method and included a pro-rata share of Maritime's income or losses for each reporting period. On April 1, 2016, the Company re-evaluated its investment in Maritime and concluded that significant influence no longer existed due to the consideration factors that the Company has no representation on Maritime's board of directors, no involvement in business decisions, no interchange of management personnel, and no provision of essential technical information. As a result, as of April 1, 2016, Maritime ceased to be an associated company and the investment in Maritime has been designated as an available-for-sale financial asset and measured at fair value with changes in fair value recognized in accumulated other comprehensive income. At April 1, 2016, the fair value of the Maritime shares was \$1,322,160, resulting in a realized loss on investment in associated company of \$310,344 upon the transfer to investment in securities.

On April 7, 2016, the Company sold 1,000,000 shares of Maritime at \$0.14 per share resulting in net proceeds of \$138,600 and a net loss of \$34,261. On August 29, 2016, the Company sold another 1,500,000 Maritime shares (1,000,000 shares at \$0.14 per share and 500,000 shares at \$0.21 per share) bringing in net proceeds of \$245,000. As of the report date, Commander held 6,944,000 shares representing 11.78% of Maritime's total outstanding common shares.

In addition to share ownership, Commander holds a 2% NSR royalty on production from Maritime's Green Bay property, other than from the Orion deposit.

On May 28, 2013, Maritime announced receipt of its first National Instrument 43-101 ("NI-43-101") Compliant Resource Estimate, authored by Todd McCracken, P.Geol., of Tetra Tech.

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**For the Year ended December 31, 2016**

March 1, 2017

Maritime's Green Bay property consists of 2 deposits, the past producing Hammerdown mine and the Orion deposit, separated by a distance of 1.5 kilometres. The highlight of the resource is summarized below, at a cut-off grade of 3 g/t over a minimum mining width of 1.2 metres:

In the Measured category:

Hammerdown: 202,900 tonnes @ 12.12 gr/t, containing 79,000 oz Au

In the Indicated category:

Hammerdown: 524,600 tonnes @11.39 gr/t, containing 192,100 oz Au

Orion: 1,096,500 tonnes @ 4.47 gr/t, containing 157,582 oz Au

In the Inferred category:

Hammerdown: 1,767,000 tonnes @7.68 gr/t, containing 436,302 oz Au

Orion: 1,288,000 tonnes @ 5.44 gr/t, containing 225,270 oz Au

*Note: Mineral Resources, which are not Mineral Reserves, have not demonstrated economic viability.*

Commander continues to be exposed to the future upside of Maritime through its securities holding and a royalty on future production from the Green Bay Property (exclusive of Orion).

In early January 2016, Maritime contracted WSP Engineering of Sudbury Ontario to complete a Pre-Feasibility Study to restart the Hammerdown mine.

**SELECTED ANNUAL INFORMATION**

The Company's selected annual information for the years ended December 31, 2016, 2015 and 2014 are as follows:

|  | 2016      | 2015      | 2014         |
|--|-----------|-----------|--------------|
| Total revenue                                  | \$ -      | \$ -      | \$ -         |
| Net income (loss) before deferred tax recovery | 782,829   | (439,214) | (14,581,758) |
| Deferred tax recovery                          | -         | -         | 503,000      |
| Net income (loss) for the year                 | 782,829   | (439,214) | (14,078,758) |
| Income (loss) per share - basic and diluted    | 0.007     | (0.004)   | (0.14)       |
| Total assets                                   | 8,159,886 | 6,405,441 | 6,935,193    |
| Total long-term liabilities                    | -         | -         | -            |

**SUMMARY OF QUARTERLY RESULTS**

|   | 2016           |                |              |              | 2015        |              |              |              |
|---|----------------|----------------|--------------|--------------|-------------|--------------|--------------|--------------|
|   | Dec 31         | Sep 30         | Jun 30       | Mar 31       | Dec 31      | Sep 30       | Jun 30       | Mar 31       |
| Royalty income                              | \$ 25,000      | \$ -           | \$ -         | \$ -         | \$ 25,000   | \$ -         | \$ -         | \$ -         |
| Net (loss) income                           | \$ (318,971)   | \$ (1,278,927) | \$ 524,457   | \$ 1,856,270 | \$ (85,470) | \$ (115,743) | \$ (110,992) | \$ (127,009) |
| Total comprehensive (loss) income           | \$ (2,095,962) | \$ (1,728,673) | \$ 2,620,810 | \$ 2,171,808 | \$ (13,126) | \$ (154,013) | \$ 29,402    | \$ (231,090) |
| (Loss) income per share - basic and diluted | \$ (0.003)     | \$ (0.012)     | \$ 0.005     | \$ 0.018     | \$ (0.001)  | \$ (0.001)   | \$ (0.001)   | \$ (0.001)   |

**RESULTS OF OPERATIONS**

**Net (Income) Loss**

For the three and twelve months ended December 31, 2016, the Company reported net loss of \$318,971 and net income of (\$782,829), respectively as compared to net loss of \$85,470 and \$439,214 for the same respective periods in 2015. The Company's 2016 net income was primarily from the sale of the Storm Property to Aston Bay Holdings Ltd. ("Aston") with a gain of



\$1,951,462 and the sale of 3,500,000 shares of Aston (which were acquired and held prior to the Storm Property sale) for a net gain of \$741,784.

### **Expenses**

Administration expenses for the three and twelve months ended December 31, 2016 were \$143,818 and \$516,033 (2015 - \$61,992 and \$314,170) respectively. The higher annual expenses of \$201,863 in 2016 were attributable to increases in: (a) consulting, (b) filing fees and transfer agent, (c) investor and shareholder relations and (d) share-based payments (non-cash). Details of the variances are described below.

Consulting fees were higher by \$97,631 as a result of the recruitment of VP Exploration in June 2016 and remunerations to services provided by VP Corporate Development, the Chief Executive Officer and a former director. Filing fees and transfer agent expenses were increased by \$7,352 due to the holding of the annual general meeting and regulatory filings of the acquisition of mineral assets from Bearing Resources Ltd. in September 2016 and the sale transaction of the Storm Property in February 2016. Investor and shareholder relations were higher by \$27,352 due to the engagement of an investor relations consultant, the upgrade of the company website and the participation in mining conferences to increase investor awareness. Share-based payments (non-cash) increased by \$107,648 attributable to the vesting of 4,000,000 and 1,300,000 options granted in March and June 2016, respectively.

### **Other Income and Expenses**

Share of loss and dilution loss in associated company, Maritime Resources Corp. ("Maritime"), was lower by \$98,890 in 2016 due to the Company's reevaluation of the consideration factors which concluded that as of April 1, 2016, Commander ceased to have significant influence on Maritime and was no longer required to include a pro-rata share of Maritime's profit or loss for each reporting period.

Loss on disposal of the investment in associated company was \$310,344 (2015 - \$24,012). On April 1, 2016, the investment in associated company was reclassified to investment in securities and fair-valued at \$1,322,160, resulting the loss of deemed disposal of \$310,344. In February 2015, 2,000,000 shares of the associated company were sold at \$0.18 per share resulting a loss on disposal of \$24,012.

In 2016, the gain on the sale of investment in securities was \$800,886 (2015 - loss of \$1,500) which was from the sale of Aston shares (3,500,000 shares at \$0.29 per share) and Maritime shares (2,000,000 shares at \$0.14 per share and 500,000 shares at \$0.21).

In February 2016, Aston acquired the Storm project from the Company by issuing 11,000,000 Aston shares valued at \$2,640,000, resulting a gain on the sale of exploration and evaluation assets of \$1,951,462.

Impairment loss on exploration and evaluation assets was \$1,142,699 compared to \$14,153 in 2015. In 2016, the Company wrote off \$1,142,699 which comprised \$1,133,626 of Nepisiguit/Stewart costs incurred to December 31, 2015, plus aggregate costs incurred during the year ended December 31, 2016, of \$9,073, on Hermitage, Glenmorangie, and Omineca.

### **LIQUIDITY AND CAPITAL RESOURCES**

The Company is in the exploration stage and no revenue has been generated to date. It relies on equity financings, sale of assets and marketable securities to continue its operations. On December 31, 2016, Commander's investment in securities was \$4,162,160 (December 31, 2015 - \$526,255). The increase of \$3,635,905 was primarily from the sale of the Storm Property to Aston Bay in return for Aston's 11,000,000 shares which had a fair value of \$3,190,000 at December 31, 2016. In addition, the sales of 2,500,000 shares of Maritime had increased the Company's treasury by \$383,600, net of commission.

At December 31, 2016, the Company had cash and cash equivalents of \$998,429 (December 31, 2015 - \$137,828) and working capital of \$2,701,559 (December 31, 2015 - \$585,487). The Company has sufficient funding to meet its operational requirements for the coming fiscal year.

## OUTSTANDING SHARE DATA

At March 1, 2017, the Company had 115,302,521 common shares issued and outstanding, 11,175,000 stock options with exercise prices from \$0.05 to \$0.10, expiring between 2017 and 2021, and 2,000,000 warrants with an exercise price of \$0.05, expiring on October 20, 2017.

## COMMITMENT

The Company has a commitment of \$22,200 for its Vancouver office lease which expires on August 31, 2017. Commander is obligated to make \$2,775 monthly month. The Company has the option to terminate the lease with two months' notice.

## OFF BALANCE SHEET ARRANGEMENTS and PROPOSED TRANSACTIONS

As of the report date, the Company has no off balance sheet arrangements or proposed transactions.

## CHANGES TO THE BOARD OF DIRECTORS AND OFFICERS

On March 15, 2016, Robert Cameron was appointed as the President and Chief Executive Officer replacing Eric Norton who remains as a Director of the Company. Directors Mark Lotz and Brian Abraham did not stand for re-election at the Company's Annual General Meeting held on June 8, 2016 and Brandon Macdonald was elected director. On June 8, 2016, Stephen Wetherup was appointed as Vice President of Exploration.

## RELATED PARTY TRANSACTIONS

### Mineral Asset Acquisition

On September 23, 2016, the Company acquired 100% of the issued and outstanding share capital of Bearing Resources Ltd. ("Bearing") and Bearing's wholly owned subsidiary BRZ Mex Holdings Ltd. and Minera BRG SA de CV (the "Transaction"). The asset acquisition was a related party transaction with the Chief Executive Officer being a common Executive/Director for both Bearing and Commander.

### Services

The Company's related parties consist of companies controlled by certain of the Company's Directors. The fees and expenses with those companies for the years ended December 31, 2016 and 2015 are as follows:

|                           | 2016             | 2015      |
|---------------------------|------------------|-----------|
| Legal                     | \$ -             | \$ 2,347  |
| Administration and others | <b>37,963</b>    | 25,808    |
|                           | <b>\$ 37,963</b> | \$ 28,155 |

At December 31, 2016, the Company did not have any amounts owed to related parties (2015 – \$17,134).

**Compensation of key management**

Key management includes the Company's directors, the President and Chief Executive Officer, VP Exploration, VP Corporate Development, Chief Financial Officer and Corporate Secretary. Their remuneration, including share-based payments is as follows:

|  | Nature of<br>Compensation          | 2016              | 2015       |
|--|------------------------------------|-------------------|------------|
| President and Chief Executive Officer          | Salary and benefits;<br>consulting | \$ 107,198        | \$ -       |
| President and Chief Executive Officer (former) | Salaries and benefits              | -                 | 92,591     |
| Vice President, Corporate Development          | Consulting                         | 30,000            | 15,750     |
| Vice President, Exploration <sup>(1)</sup>     | Consulting                         | 28,306            | -          |
| Chief Financial Officer                        | Accounting and audit               | 34,500            | 7,500      |
| Chief Financial Officer (former)               | Consulting                         | -                 | 46,756     |
| Corporate Secretary                            | Consulting                         | 28,500            | 18,000     |
| Director (former)                              | Consulting                         | 11,000            | -          |
|  |                                    | <b>239,504</b>    | 180,597    |
| Share -based payments                          | Stock option                       | 136,560           | 28,863     |
|  |                                    | <b>\$ 376,064</b> | \$ 209,460 |

<sup>(1)</sup> \$10,806 of the consulting fees was related to geological consulting in exploration and evaluation assets and \$17,500 were the monthly fees as the VP Exploration.

**NEW ACCOUNTING POLICIES**

**New, amended and future accounting policies**

Standards and amendments issued but not yet effective for the year ended December 31, 2016, are as follows:

IFRS 9, *Financial Instruments* addresses classification, measurement and recognition of financial assets and financial liabilities. In July 2014, IASB completed the final version of the Standard which replaces IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a reformed approach to hedge accounting. The effective date for this standard is for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect any impact from this amendment.

IFRS 16, *Leases*, addresses accounting for leases and lease obligations and replaces the leasing guidance in IAS 17, *Leases*. The standard requires lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. The Company does not expect any impact from this standard.

IAS 7, *Statement of Cash Flows*, was amended in January 2016 to enhance disclosures and requires entities to provide disclosures facilitating users of financial statements to evaluate changes in liabilities resulting from financial activities. The amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company is reviewing the impact of these amendments on its financial statements.

**FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Fair value**

The Company has classified its financial instruments as follows:

- Cash and cash equivalents – as FVTPL
- Investment in securities – as AFS
- Receivables – as loans and receivables
- Accounts payable and accrued liabilities and advance from optionee – as other financial liabilities

The carrying values of amounts receivable, accounts payable and accrued liabilities, and advance from optionee approximate their fair values due to the short-term to maturity of these financial instruments. The Company classifies its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value. The Company's cash and cash equivalents, and investment in securities are classified as a level 1 financial asset. The fair value hierarchy is as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company is exposed to the following risks related to financial instrument:

#### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities to ensure it will have sufficient liquidity to meet obligations. At December 31, 2016, the Company had cash of \$998,429 and working capital of \$2,701,559. The Company has sufficient funds to continue operations for the next twelve months.

#### **Credit risk**

Credit risk is the risk that if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's exposure to credit risk is equal to the carrying value of cash and receivables. To minimize the credit risk, Commander places cash at high credit rating financial institution.

#### **Price risk and foreign currency risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is exposed to price risk with respect to its investment in securities. A 10% change in the share prices would affect the investments and comprehensive loss by approximately \$416,216. During the year ended December 31, 2016, the Company acquired exploration and evaluation assets located in Mexico (Note 6(a)) and may be subject to future foreign currency risk. The risk as at December 31, 2016, is insignificant.

### **RISKS AND UNCERTAINTIES**

Mineral exploration involves high degree of risks. There is a significant probability that the expenditures made in exploring the Company's properties will not result in discoveries of economically viable quantities of minerals. Ongoing costly expenditures are required to locate and estimate ore reserves, which are the basis for further development of a property. Capital expenditures to attain commercial production stage are also very substantial. The principal risks faced by the Company are as follows:

#### **Exploration**

The Company is seeking mineral deposits of commercial quantities on its exploration projects. There can be no assurance that economic concentrations of minerals will be determined to exist on the Company's property holdings. The failure to establish such economic concentrations could have a material adverse outcome on the Company and its securities.

#### **Market**

The Company's securities trade on public markets and the trading value thereof is determined by the evaluations, perceptions and sentiments of both individual investors and the investment community taken as a whole. Such evaluations, perceptions and sentiments are subject to change; both in short term time horizons and longer term time horizons. An adverse change in investor evaluations, perceptions and sentiments could have a material adverse outcome on the Company and its securities.

#### **Metal Prices**

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of mineral resource are discovered, a profitable market will exist for the sale of it. The price of various metals has experienced significant

movements over short periods of time, and is affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any metal will be such that the Company's exploration and evaluation assets can be mined at a profit.

#### **Title**

Although the Company has exercised the usual due diligence with respect to title to properties in which it has interests, there is no guarantee that title to the properties will not be challenged or impugned. Commander's exploration and evaluation asset interests may be subject to prior unregistered agreements or transfers or land claims, and title may be affected by undetected defects.

#### **Financing**

Exploration and development of mineral deposits is an expensive process, and frequently the greater the level of interim stage success the more expensive it can become. The Company has no producing properties and generates no operating revenues; therefore, for the foreseeable future, it will be dependent upon selling equity in the capital markets to provide financing for its continuing substantial exploration budgets. While the Company has been successful in obtaining financing from the capital markets for its projects in recent years, there can be no assurance that the capital markets will remain favourable in the future, and/or that the Company will be able to raise the financing needed to continue its exploration programs on favourable terms, or at all. Restrictions on the Company's ability to finance could have a material adverse outcome on the Company and its securities.

#### **Share Price Volatility and Price Fluctuations**

In recent years, the securities markets in Canada have experienced a high level of volatility, and the share prices of securities of many companies, particularly junior exploration companies like the Company, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that these price fluctuations and volatility will not continue to occur.

#### **Key Personnel**

The Company's exploration efforts are dependent to a large degree on the skills and experience of certain of its key personnel. The Company does not maintain "key man" insurance policies on these individuals. Should the availability of these persons' skills and experience be in any way reduced or curtailed, this could have a material adverse outcome on the Company and its securities.

#### **Environmental and Other Regulatory Requirements**

The current or future operations of the Company, including development activities and commencement of production on its properties, require permits from various governmental authorities and such operations are and will be subject to laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards and other matters.

Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that approvals and permits required to commence production on its properties will be obtained on a timely basis, or at all. Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

Amendments to current laws, regulations and permits governing operations and activities of mining companies could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or abandonment or delays in development of new mineral exploration properties. To the best of the Company's knowledge, it is currently operating in compliance with all applicable environmental regulations.



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#### **OFFICERS & DIRECTORS**

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*Chairman and Director*

Robert Cameron, P.Geo.  
*Director, President and Chief Executive Officer*

Bernard H. Kahlert, P.Eng.  
*Director and Vice President, Corporate Development*

Brandon MacDonald  
*Director*

Eric W. Norton, P.Eng.  
*Director*

Stephen Wetherup, P.Geo.  
*Vice President, Exploration*

Patricia Fong, CPA (CMA)  
*Chief Financial Officer*

Janice Davies  
*Corporate Secretary*

#### **LISTINGS**

TSX Venture Exchange: CMD  
U.S. 12g Exemption: #82-2996

#### **CAPITALIZATION**

(As at Report Date)

Shares Authorized: Unlimited

Shares Issued: 115,302,521

#### **REGISTRAR & TRUST AGENT**

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