AsiaBaseMetals Inc.

INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED

MARCH 31, 2017 AND 2016

(UNAUDITED – PREPARED BY MANAGEMENT)

ASIABASEMETALS INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

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

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

The Company's independent auditors have not performed a review of these condensed interim financial statements in accordance with the standards established by CPA Canada for a review of interim financial statements by an entity's auditors.

ASIABASEMETALS INC.

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION

AS AT MARCH 31, 2017 AND SEPTEMBER 30, 2016

(Unaudited - Expressed in Canadian Dollars)

	March 31, 2017	September 30, 2016
ASSETS		
Current		
Cash	$ 522,173	$ 4,891
Amounts receivable	4,489	146
Prepaid expenses	19,903	1,411
	546,565	6,448
Exploration and evaluation assets (Note 3)	21,330	41,068
	$ 567,895	$ 47,516
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current		
Accounts payable and accrued liabilities (Note 6)	$ 16,710	$ 116,963
Director loan (Note 6)	-	11,000
	16,710	127,963
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital (Note 4)	2,743,419	1,945,539
Share-based payment reserves	604,891	441,684
Accumulated deficit	(2,797,125)	(2,467,670)
	551,185	(80,447)
	$ 567,895	$ 47,516

CORPORATE INFORMATION AND NATURE OF CONTINUANCE OF OPERATIONS (Note 1)

Approved by the Board on April 21, 2017:

"Raj Chowdhry"
Director

"Bryce Clark"
Director

(The accompanying notes are an integral part of these interim condensed financial statements.)

ASIABASEMETALS INC.

INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE LOSS

FOR THREE AND SIX MONTHS ENDED MARCH 31, 2017 AND 2016

(Unaudited - Expressed in Canadian Dollars)

	Three months ended March 31,		Six months ended March 31,	
	2017	**2016**	**2017**	**2016**
EXPENSES				
Exploration, net	357	3,714	672	55,685
Management fees	44,813	42,614	87,263	87,059
Professional fees	16,436	14,202	30,228	25,012
Regulatory and transfer agent fees	12,085	13,314	17,904	18,376
Travel	1,854		7,085	
Office, administration and miscellaneous	5,342	1,286	7,855	3,600
Share-based payments (Note 5)	163,207		163,207	
Interest and bank charges	114	110	[illegible]	300
Foreign exchange loss (gain)	11	159	[illegible]	15
LOSS FROM OPERATIONS	(244,219)	(75,399)	(314,450)	(190,047)
OTHER ITEMS				
Write-off of mineral property (Note 3)	29,552		29,552	
Gain on debt settlement (Note 6)			(14,547)	
COMPREHENSIVE LOSS FOR THE PERIOD	(273,771)	(75,399)	(329,455)	(190,047)
BASIC AND DILUTED LOSS PER SHARE	$ [illegible]	$ [illegible]	$ (0.02)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	23,587,462	10,175,115	17,656,672	10,175,115

(The accompanying notes are an integral part of these interim condensed financial statements.)

ASIABASEMETALS INC.

INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

FOR THE SIX MONTHS ENDED MARCH 31, 2017 AND 2016

(Unaudited - Expressed in Canadian Dollars)

	Common Shares (Note 4)							
	Number of Common Shares		Amount		Share-based Payments Reserves		Accumulated Deficit		Total
Balances at October 1, 2015	10,175,115	$	1,689,690	$	298,580	$	(2,018,816)	$	(30,546)
Share issuance costs	-		(6,213)		-		-		(6,213)
Loss and comprehensive loss	-		-		-		(190,047)		(190,047)
Balances at March 31, 2016	10,175,115		1,683,477		298,580		(2,208,863)		(226,806)
Balances at October 1, 2016	15,275,115	$	1,945,539	$	441,684	$	(2,467,670)	$	(80,447)
Private placement, net of issuance costs	1,850,000		243,880		-		-		243,880
Warrants exercised for common shares	6,658,570		554,000		-		-		554,000
Share-based payments	-		-		163,207		-		163,207
Loss and comprehensive loss	-		-		-		(329,455)		(329,455)
Balances at March 31, 2017	23,783,685		2,743,419		604,891		(2,797,125)		551,185

(The accompanying notes are an integral part of these interim condensed financial statements.)

ASIABASEMETALS INC.

INTERIM CONDENSED STATEMENTS OF CASH FLOWS

FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2017 AND 2016

(Unaudited - Expressed in Canadian Dollars)

	Three months ended March 31,		Six months ended March 31,	
	2017	**2016**	**2017**	**2016**
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net loss for the period	$ (273,771)	$ (75,399)	$ (329,455)	$ (190,047)
Items not involving cash				
Write-off of mineral property	29,552	-	29,552	-
Share-based payments	163,207	-	163,207	-
Change in non-cash working capital items				
Amounts receivable	1,928	(690)	(4,343)	2,073
Prepaid expenses	(9,682)	333	(18,492)	500
Accounts payable and accrued liabilities	(7,920)	(59,406)	(77,298)	(38,116)
Gain on debt settlement	-	-	(14,547)	-
Due to related party	-	(4,980)	(8,408)	14,465
Cash used in operating activities	(96,686)	(140,142)	(259,784)	(211,125)
INVESTING ACTIVITY				
Acquisition of Gnome property	(9,814)	(276)	(9,814)	(276)
Acquisition of Jean property	-	-	-	-
Cash used in investing activities	(9,814)	(276)	(9,814)	(276)
FINANCING ACTIVITY				
Private placement, net of issuance costs	-	(5,271)	243,880	(6,213)
Proceeds from exercise of warrants	40,125	-	554,000	-
Director loan	-	156,000	(11,000)	181,000
Cash used in financing activities	40,125	150,729	786,880	174,787
INCREASE (DECREASE) IN CASH DURING THE PERIOD	(66,375)	10,311	517,282	(36,614)
CASH, BEGINNING OF PERIOD	588,548	9,963	4,891	56,888
CASH, END OF PERIOD	$ 522,173	$ 20,274	$ 522,173	$ 20,274

(The accompanying notes are an integral part of these interim condensed financial statements.)

1. CORPORATE INFORMATION AND NATURE OF CONTINUANCE OF OPERATIONS

AsiaBaseMetals Inc. (the "Company") was incorporated on August 11, 2009 under the laws of British Columbia. The Company's principal business activities include the acquisition, exploration and development of resource property. The address of the Company's corporate office and principal place of business is 6153 Glendalough Pl., Vancouver, British Columbia, V6N 1S5, Canada.

At March 31, 2017, the Company had not yet determined whether its property contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition of the resource property. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

These interim condensed financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These interim condensed financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including IAS 34 – *Interim Financial Reporting.* For these purposes, IFRS comprise the standards issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The accounting policies applied in these interim condensed financial statements are consistent with those applied in the preparation of, and disclosed in, the Company's audited annual financial statements for the year ended September 30, 2016, except as discussed in Note 2(d).

b) Basis of presentation

The condensed interim financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

On April 16, 2015, the Company's Board approved a consolidation of the Company's issued and outstanding share capital on a 2 old for 1 new basis. The stock consolidation was completed on May 13, 2015. On August 12, 2015 the Company's Board approved a further consolidation on a 2 old for 1 new basis. The stock consolidation was completed on August 31, 2015.

On February 17, 2016 the Board approved a further consolidation of the issued and outstanding shares on a 2 old for 1 new basis. The stock consolidation was completed on March 4, 2016. All share capital and per share amounts in these financial statements have been adjusted to give retroactive effect to the share consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Going Concern

These interim financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception, has working capital of $529,855 and had an accumulated deficit of $2,797,125 at March 31, 2017. Management has determined that the Company will be able to continue as a going concern for a reasonable period of time, and realize its assets and discharge its liabilities and commitments in the normal course of business.

d) Changes in accounting standards

(i) New or amended accounting standards

On October 1, 2016, the Company adopted the following new accounting standards that were previously issued by the IASB:

IAS 1 – *Presentation of Financial Statements*

In December 2014, amendments to IAS 1 were issued to address perceived impediments to preparers exercising their judgement in presenting their financial statements. The amendments clarify the definition of materiality, the presentation of items on the statement of financial position and statement of profit or loss and other comprehensive income, and ordering of notes in the financial statements.

(ii) Accounting standards issued but not yet effective

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

New accounting standards effective for annual periods on or after October 1, 2017:

IAS 7 – *Statement of Cash Flows*

The objective of the amendments to IAS 7 is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The amendments to IAS 7 respond to investors' requests for information that helps them better understand changes in an entity's debt, which is important to their analysis of financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting standards effective for annual periods on or after October 1, 2018:

IFRS 9 - Financial Instruments

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013, new general hedge requirements were added to the standard.

In July 2014, the final version of IFRS 9 was issued and adds a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a single five–step model framework for determining the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.

New accounting standards effective for annual periods on or after October 1, 2019:

IFRS 2 – *Shared-Based Payments*

In June 2016 the Board issued the final amendments to IFRS 2 which amended (a) the effects that vesting conditions have on the measurement of a cash-settled share-based payment; (b) the accounting for modification to the terms of a share-based payment that changes the classification of the transaction from cash-settled to equity settled; and (c) classification of share-based payment transactions with net settlement features.

IFRS 16 – *Leases*

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.

The extent of the impact of adoption of these standards and interpretations on the consolidated financial statements of the Company has not been determined.

(Unaudited - Expressed in Canadian Dollars)

3. EXPLORATION AND EVALUATION ASSETS

Gnome Zinc, B.C.

On September 30, 2009, Tintina Resources Inc. ("Tintina") transferred its interest in the Gnome Zinc project and $500,000 in cash to the Company as part of its reorganization. Tintina also transferred its right, title and interest in the Gnome Zinc project to purchase a 1% NSR royalty for $2,000,000 up to the period ending on March 11, 2020. The transaction was recorded as a shareholder transfer at Tintina's carrying value of the Gnome Zinc project of $146,748 and an increase in cash of $500,000.

On January 1, 2016, the Company forfeited 1 mineral claim related to the Gnome Property. The claim was subsequently re-staked on January 11, 2016.

On December 31, 2016 the Company forfeited 11 mineral claims covering 5,271 hectares land related to the Gnome Property. On January 1, 2017, the company re-staked 10 claims covering 4,886 hectares land. In addition, the Company re-staked 1 claim covering 158 hectares land on February 27, 2017 that was forfeited on January 11, 2017. This resulted in a total of 11 claims covering 5,237 hectares land included in the originally held land being re-staked and $29,552 of costs associated with the original investment the property being written-off during the period. As at March 31, 2017, the Gnome Property consists of 11 claims covering 5,044 hectares land.

Expenditure for the six months ended March 31, 2017 and the year ended September 30, 2016 is as follows:

		October 1, 2016		Acquisition Costs		Impairment		March 31, 2017
Gnome Zinc	$	29,552	$	9,814	$	(29,552)	$	9,814

		October 1, 2015		Acquisition Costs		September 30, 2016
Gnome Zinc	$	29,276	$	276	$	29,552

Jean Property, ON

On April 24, 2015, the Company entered into a purchase agreement (the "Agreement") with Great Lakes Resources Ltd. to acquire an undivided 100% right, title and interest in the Jean Iron Ore Project ("Jean Property") from Great Lakes for 50,000 common shares. The Jean Property is an iron ore exploration property consisting of 17 claims totalling 1,824 hectares located in the Thunder Bay Mining District of Ontario. The Agreement was approved by the TSX Venture Exchange ("TSX.V") on May 12, 2015 and 50,000 common shares were issued to Great Lakes to complete the purchase.

As part of the Agreement the Company and Great Lakes terminated the previous option agreement entered into on August 25, 2014 and approved by the TSX.V on November 12, 2014 under which Great Lakes had granted the Company an option to acquire the Jean Property. Consideration under the terminated option agreement was 12,500 common shares (issued on November 13, 2014) and a total exploration work requirement of $160,000 on or before September 30, 2016.

(Unaudited - Expressed in Canadian Dollars)

3. EXPLORATION AND EVALUATION ASSETS (continued)

Jean Property, ON (continued)

On November 12, 2015 the Company staked 1 additional claim consisting of 16 hectares and consisted of 18 mineral claims in 115 units covering 1,840 hectares' land. On November 16, 2016, the Company forfeited 4 mineral claims consisting of 17 units covering 272 hectares' land. On March 14, 2017, the Company staked one additional claim consisting of 1 unit covering 16 hectares' land. As at March 31, 2017, the Jean Property consists of 15 mineral claims covering 1,584 hectares land consisting of 99 units.

Expenditure for the six months ended March 31, 2017 and the year ended September 30, 2016 is as follows:

	October 1, 2016	Acquisition Costs	March 31, 2017
Jean Iron Ore	$ 11,516	$ -	$ 11,516

	October 1, 2015	Acquisition Costs	September 30, 2016
Jean Iron Ore	$ 11,516	$ -	$ 11,516

4. SHARE CAPITAL

a) Authorized: The Company is authorized to issue an unlimited number of common shares without par value.

b) Issued and outstanding as at March 31, 2017: 23,783,685 (March 31, 2016 – 10,175,115) common shares.

i. On April 13, 2016 the Company completed a non-brokered private placement of 5,000,000 units at a price of $0.05 per unit, raising gross proceeds of $250,000. The Company incurred share issuance costs of $17,709 which consists of legal fees and transfer agent costs. Each unit consists of one common share and one transferable share purchase warrant, with each warrant exercisable for five years to purchase one additional common share at a price of $0.05. The shares were subject to a four month hold period which expired on August 14, 2016.

ii. On June 14, 2016 the Company issued 100,000 common shares with a fair value of $24,500 at the time of issuance in satisfaction of $24,500 of outstanding debt owing to an arm's length party. All shares were subject to a four month hold which expired on October 14, 2016.

iii. On November 18 2016, the company completed a private placement of 1,850,000 units ("Units") at a price of $0.135 per Unit for gross proceeds of $249,750. The Company incurred share issuance costs of $5,870 which consists solely of legal fees. Each Unit consists of one common share of the company and one warrant to purchase an additional common share at a price of $0.175 per share for a period of five years. All securities were subject to a four month hold period which expired on March 19, 2017.

(Unaudited - Expressed in Canadian Dollars)

4. SHARE CAPITAL (continued)

b) Issued and outstanding as at March 31, 2017: (continued)

iv. On December 13, 2016 the Company issued 5,485,000 common shares on the exercise of warrants raising gross proceeds of $434,875. Included in the common shares issued were 985,000 common shares that were not eligible to be traded until March 19, 2017.

v. On December 22, 2016 the Company issued 808,570 common shares on the exercise of warrants raising gross proceeds of $79,000. Included in the common shares issued were 308,570 common shares that were not eligible to be traded until March 19, 2017.

vi. On January 17, 2017 the Company issued 175,000 common shares on the exercise of warrants raising gross proceeds of $18,750. Included in the common shares issued were 50,000 common shares that were not eligible to be traded until March 19, 2017.

vii. On February 2, 2017 the Company issued 145,000 common shares on the exercise of warrants raising gross proceeds of $12,875. Included in the common shares issued were 45,000 common shares that were not eligible to be traded until March 19, 2017.

viii. On February 9, 2017 the Company issued 45,000 common shares on the exercise of warrants raising gross proceeds of $8,500. Included in the common shares issued were 20,000 common shares that were not eligible to be traded until March 19, 2017.

Current year additions to issued and outstanding shares summarized in the table below:

	Number of Shares
Balance at September 30, 2016	15,275,115
Private Placement , November 18, 2016	1,850,000
Warrants exercised, December 13,2016	5,485,000
Warrants exercised, December 22, 2016	808,570
Warrants exercised, January 17, 2017	175,000
Warrants exercised, February 2, 2017	145,000
Warrants exercised, February 9, 2017	45,000
Balance at March 31, 2017	23,783,685

See Interim Condensed Statements of Changes in Equity for details.

c) Warrants outstanding as of March 31, 2017: 691,430 (March 31, 2016 – 500,000)

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price
Balance at September 30, 2015	500,000	$ 0.20
Issued	5,000,000	$ 0.05
Balance at September 30, 2016	5,500,000	$ 0.06
Issued	1,850,000	$ 0.175
Exercised	(4,950,000)	$ 0.05
Exercised	(300,000)	$ 0.20
Exercised	(1,408,570)	$ 0.175
Balance at March 31, 2017	691,430	$ 0.173

(Unaudited - Expressed in Canadian Dollars)

4. SHARE CAPITAL (continued)

c) Warrants outstanding as of March 31, 2017: (continued)

The warrants issued during the year ended September 30, 2015 expire on September 29, 2017 and have an exercise price of $0.20 until September 29, 2017. The warrants issued during the year ended September 30, 2016 expire on April 13, 2021 and have an exercise price of $0.05. The warrants issued during the six month period ended March 31, 2017 expire on November 17, 2021 and have an exercise price of $0.175. The balance of unexercised warrants as at March 31, 2017 are 200,000 warrants at $0.20, 50,000 warrants at $0.05 and 441,430 a $0.175.

5. STOCK OPTION PLAN AND SHARE- BASED PAYMENTS

The Company adopted a rolling stock option plan (the "Plan") to grant options to directors, senior officers, employees, independent contractors and consultants of the Company. The Plan reserves for issuance up to 10% of the issued and outstanding share capital of the Company from time to time, and provides that it is solely within the discretion of the Board or, if the Board so elects, by a committee consisting of not less than two of its members appointed by the Board, to determine who should receive options and in what amounts.

Options granted under the Plan for a term not to exceed 10 years from the date of their grant and are exercisable at a price not less than the discounted market price (which is the market price less a discount of 25% for a closing price of up to $0.50, a discount of 20% for a closing price of $0.51 to $2.00, and a discount of 15% for a closing price above $2.00, subject to a minimum of $0.10).

On June 20, 2016, the Company granted to directors and advisory board a total of 750,000 stock options under the Company's Stock Option Plan. The options are exercisable at a price of $0.30 per share for a period of 2 years, and all options vest on grant date.

On January 17, 2017, the Company granted directors and advisory board a total of 550,000 stock options exercisable at a price of $0.30 per share for a period of 2 years. On January 23, 2017, the Company issued a further 150,000 stock options exercisable at $0.35 per share for a period of 2 years. All options vest on grant date.

The Company uses the Black-Scholes option valuation model to value stock options. The Black-Scholes model estimates the fair value of stock options that have no vesting restrictions and are fully transferable. For purposes of the calculations, the following weighted average assumptions were used under the Black-Scholes model:

	January 23, 2017	January 17, 2017	June 20, 2016
Exercise price	$ 0.35	$ 0.30	$ 0.30
Share price at grant date	0.34	0.30	0.27
Risk free interest rate	0.71%	0.73%	0.57%
Expected dividend yield	0%	0%	0%
Expected forfeiture rate	0%	0%	0%
Expected stock price volatility	164%	164%	153%
Expected life of options	2 years	2 years	2 years

The fair value of options at grant dates: June 20, 2016 $0.19, January 17, 2017 $0.23 and January 23, 2017 $0.26.

(Unaudited - Expressed in Canadian Dollars)

5. STOCK OPTION PLAN AND SHARE- BASED PAYMENTS (continued)

Stock option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance at September 30, 2015	-	-
Issued	750,000	$ 0.30
Balance at September 30, 2016	750,000	0.30
Issued	550,000	0.30
Issued	150,000	0.35
Balance at March 31, 2107	1,450,000	$ 0.305

The following table summarizes stock options outstanding and exercisable at March 31, 2017:

	Options Outstanding			Options Exercisable	
Exercise Price $	Number of Shares	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price $	Number Exercisable	Weighted Average Exercise Price $
0.30	750,000	1.22	0.30	750,000	0.30
0.30	550,000	1.80	0.30	550,000	0.30
0.35	150,000	1.82	0.35	150,000	0.35
	1,450,000	1.61	0.305	1,450,000	0.305

Stock options outstanding at March 31, 2017 will expire on June 20, 2018, January 17, 2019 and January 23, 2019.

6. RELATED PARTY BALANCES AND TRANSACTIONS

During the periods ended March 31, 2017 and 2016, the following amounts were incurred or paid to officers and directors and/or their related companies:

i) The Company incurred $1,425 (March 31, 2016 - $12,059) for CFO fees to a company controlled by common directors.

ii) The Company incurred $10,838 (March 31, 2016 - $Nil) for Consulting Fees payable to the CFO.

iii) The Company incurred $75,000 (March 31, 2016 - $75,000) for management fees to a company controlled by an officer.

(Unaudited - Expressed in Canadian Dollars)

6. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

As at March 31, 2017 and 2016, the following balances were due to officers and directors and/or related companies:

i) Included in accounts payable and accrued liabilities is $1,200 owed to the CFO (March 31, 2016 $Nil), $Nil (March 31, 2016 - $14,465) due to a company controlled by common directors and $Nil (March 31, 2016 - $Nil) due to a company controlled by the CEO. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment. As at March 31, 2017 the Company has recorded prepayment of $12,500 for fees owing to the CEO for the month of April 2017.

ii) A loan of $Nil (March 31, 2016 - $203,000) was due to a director of the Company. This amount is unsecured, bears interest at a rate of 1% per annum and is due on demand.

On December 6, 2016 the Company entered into a Debt Settlement Agreement ("the Agreement") with SolidusGold Inc. ("Solidus"), a related party, to settle $24,547 of debt owed by the Company as at October 31, 2016. The terms of the agreement state the Company will pay $10,000 cash by December 20, 2016 and Solidus will write off the remaining balance of $14,547 owed. Payment was made to Solidus on December 13, 2016 and having fulfilled the conditions of the Agreement, the debt is paid in full and the Company recorded a gain on debt settlement of $14,547.

On April 1, 2015 the Company entered into an agreement with a contractor to provide Chief Executive Officer services at a rate of $12,500 per month ($150,000 per year) for an indefinite term. The agreement can be terminated without cause by the Company with a fourteen (14) month cash payment in the amount of $175,000.

Key management personnel compensation:

Key management personnel include the Chief Executive Officer ("CEO"), Chief Financial Officer, and directors of the Company.

The remuneration of directors and officers of the Company is as follows:

		Six months ended March 31, 2017		2016
Management fees	$	75,000	$	75,000
CFO Fees		12,263		12,059
Total remuneration	$	87,263	$	87,059

Key management personnel receive compensation in the form of short-term employee benefits and share-based payments. Short-term benefits include management fees paid to the CEO and the interim CFO of the Company for their services in their roles.

7. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject to.

The Company considers the aggregate of its equity as capital. As at March 31, 2017, the Company had capital resources consisting of cash and amounts receivable. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

(Unaudited - Expressed in Canadian Dollars)

7. MANAGEMENT OF CAPITAL (continued)

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from operations.

The Company expects its current capital resources will be sufficient to carry its exploration plans and operations through its current operating year.

8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

Financial Instruments and Fair Value Measurements

IFRS 13 – *Fair Value Measurement*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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).

Assets measured at fair value on a recurring basis were presented on the Company's balance sheet as of March 31, 2017 as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash	$ 522,173	$ –	$ –	522,173

Financial Risk

(i) Credit Risk

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's maximum credit risk is primarily attributable to its cash. The Company limits its exposure to credit loss for cash by placing such instruments with high credit quality financial institutions.

As at March 31, 2017, the Company's maximum exposure to credit risk is the carrying value of cash of $522,173.

(ii) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient financial resources to meet liabilities when due. As at March 31, 2017, the Company had working capital of $529,855. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(iii) Interest Rate Risk

In management's opinion, the Company's interest rate risk is minimal as the Company does not have any bank indebtedness or loans payable that bear interest at fixed or variable rates.

8. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

Financial Risk (continued)

(iv) Foreign Currency Risk

The Company is exposed to currency fluctuations in the acquisition of foreign currencies. The Company holds balance in cash in foreign currencies (US dollars) and is therefore exposed to gains or losses on foreign exchange. A significant change in the currency exchange rate between the Canadian dollar relative to the US dollar could have an effect on the Company's results of operations, financial position and/or cash flows. The Company has not hedged its exposure to currency fluctuations.

As at March 31, 2017 and 2016, a change of 10%+/- in US dollar would not result in a significant impact to the statements of loss and comprehensive loss.

(v) Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities may be subject to risks associated with fluctuations in the market price of commodities.